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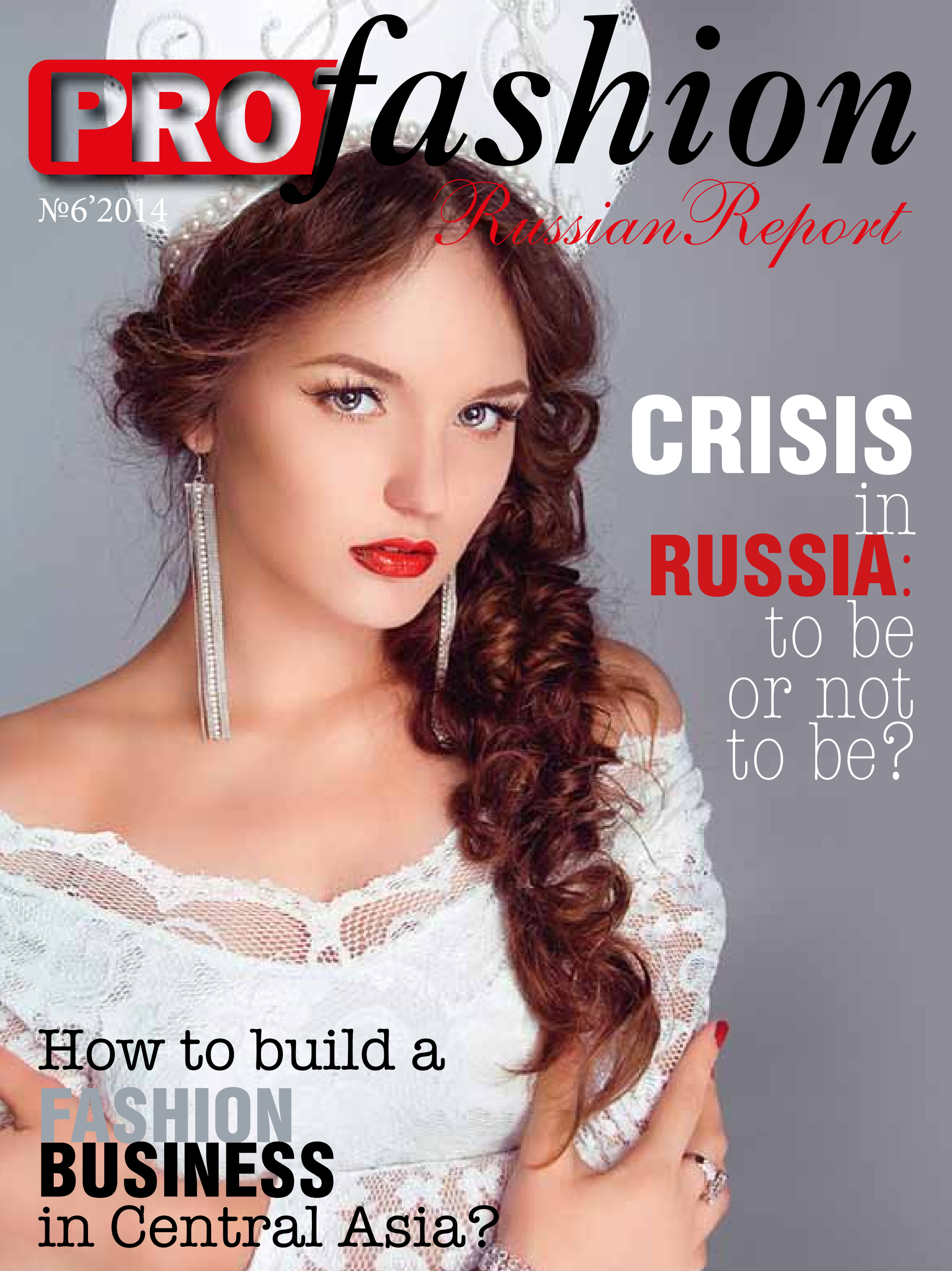
Russian Report
№6'2014



# CRISIS in RUSSIA: to be or not to be?

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# Writing Russian history

The creation of the Eurasian Union, even proportionally inherited more Turkic Kaganate and Mongol Ulus than its European component, changes today the post-war picture of the world for the first time. That changed the picture, all parts of which were densely adjoined to each other, and the tranquility of the public and commercial relationships were paid in blood, which seemed safer than any currency. Being scattered, this puzzle has not formed any new clear pattern yet, that's why ex-trading partners have to build the relationships with separate parts of the former empire by touch. One thing is clear: inspite of some differences in legislation and economic situation arising out of them in post-Soviet countries, consumer preferences obviously gravitate towards the Asian model. Because of this fact, it would be reasonable for suppliers from the EU and the United States to use for their businesses the same criteria and technologies, which they apply in the Middle East. In other words, they should not try to estimate the Eurasian buyers by means of usual civilizational standards, but to study carefully the local demand and the specific methods of influencing on it with the help of local guides and interpreter. And this edition is exactly one of the most qualified among them.

YUNA ZAVELSKAYA
**editor-in-chief**

PROfashion Russian Report 2014

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## FASHION MAGAZINE FOR PROFESSIONALS

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# Private labels strategy

*Text: Tatiana Medovnikova*


Michael Mykalo


Julia Veshniakova

***According to Euromonitor International analysts, retail competition is becoming increasingly stiff, international networks are expanding wider and wider. Product suppliers consolidate to improve their capabilities and to save by means of growth in production volumes. According to Euromonitor International, in spite of the fact that private label segment remains underdeveloped in Russia, sales moved up greatly and reached $2.3 billion in 2012. Such products have prospects in Russia because STM is associated here with high levels of Western retailers.***

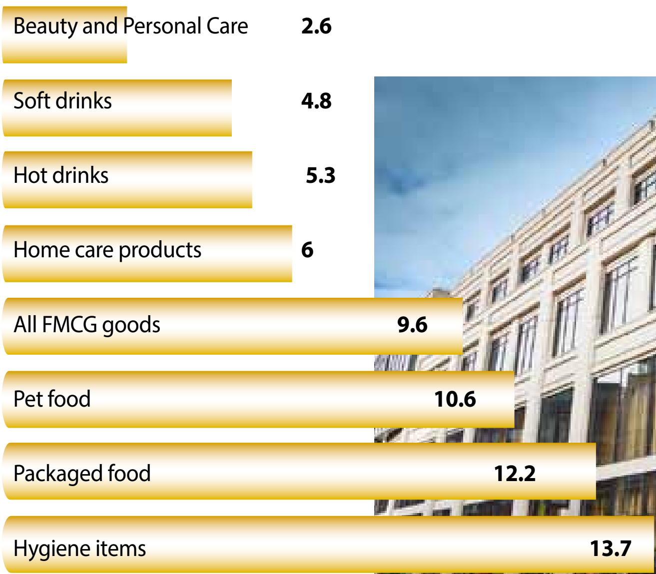

Shopping store room XCh in Moscow


Classical meaning of the term "private label" is a product line manufactured by retailer under its own brand, sold in addition to other main brands of the seller`s portfolio. Gradually, however, the meaning of this term "blurs" and is extended to the other types of businesses.

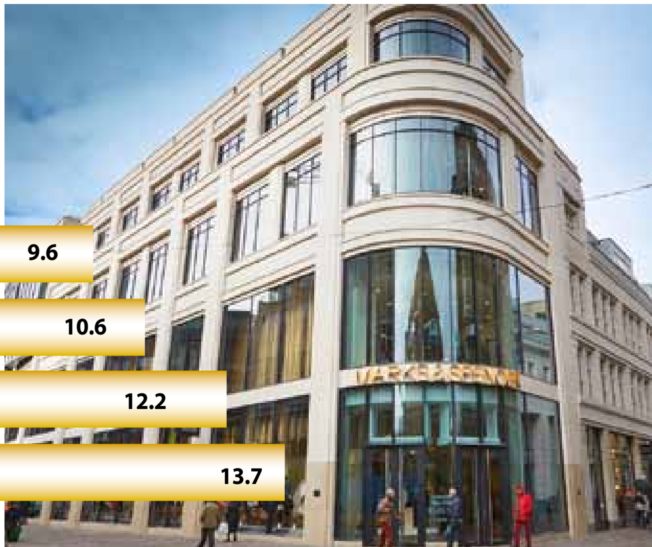
How promising the private label segment in the Russian fashion market is and if the current situation in Russia contributes the development of this trend in fashion-segment - these questions were asked to the Russian analysts and experts. And that is what the answers were. According to the **General Director of the Russian consulting company "Academy of retail technology" Julia Veshniakova**, in order to develop private label directions, every operator needs to have the right amount of investment, streamlined business processes, and the company itself has to go through certain stages of development and business construction and be able to manage the production, positioning and promote its own brand. "*Look there how many players are present in the Russian fashion-market, and only a few of them found that it was possible to start and sale their own brands along with distributors brands. In addition to investments to the production, the company should command very decent marketing budget. And it's really difficult. The brightest representatives of the private labels segment in the Russian fashion-market are such companies as Sportmaster, Detskiy Mir, Tsentrobuv, MoDaMo, Holding Center, Lady & Gentleman CITY, but these retailers could afford to run its own brand only after they achieved a certain level of business development. On average, it took 10 years for these companies to start their own clothing lines. To summarize, not every operator can release its private label, especially if it has an acute lack of the necessary competencies and human resources*", Julia Veshniakova adds.

The Russian fashion market has some notable projects and private label retailers, developing a line of clothing under their own brands. Chain stores Lady & Gentleman CITY produce their own line of knitted garments Ritter. The company Steilmann-Osteuropa promotes brand clothing UNQ, which was specially created for the Russian total look market. Chain stores MoDaMo, representing German collection of clothing brands, develop private label Aurelia Aurita which was founded in 2010. Sportmaster advertises the range of sporting goods, footwear and promotes Demix clothes and Outventure brand name. We are not speaking about the company O'Stin, which grew out of its own brand, started by Sportmaster in 2003. Detskiy Mir and Tsentrobuv also have some lines under their own brands. It seems that nobody still knows the number of STM clothing of one of the largest Russian "Holding Center" departments. The story of Snezhnaya Koroleva is very illustrative. This company not only sells private label lines at retail, but also makes wholesale trade. Almost all retail chain stores for children actively operate with  private labels products, but the list of leaders, of course, includes "Dochky i synochky" and "Academiya". In addition, there are a lot of Internet resources, which, along with the sale of the collections of other marks, offer their own brands on their sites. "*The idea of creating of our own brands came only 8 years after we had started to work. As a result, since 2010 the company Kiddiko Group has presented several private labels on the market of kids` clothes - Artega, ToniBoni, Krytik, North Pole, and shoes - Mursu and Kiddico. The concept and development ideas belongs to the creative and talented Kiddiko Group Company in collaboration with the Finnish and Italian designers*", **Nadezhda Levshova, the development director and co-owner of the company Kiddiko Group**, says. From the very begiining of working with its own brands there is a very good growth dynamics in sales- at least 50% per year. The company considers extraordinary flexible policy in dealing with clients and fast response to changes in customers demand as its competitive advantage, and these parameters allow Kiddiko Group STM collections to take such a strong position in a very competitive market.

***Private labels market proportion by product category in 2012, %***




*Resource: Euromonitor International*



Marks & Spencer in the Hague


"*Our team consists of active skilled personnel, who speaks several languages, and that allows us to expand continuously the geography of production of our private labels - from Estonia to Japan. When choosing plants, we are guided primarily by quality requirements and delivery terms*", Nadezhda Levshova adds. The company is confident in the prospects of STM segment both at global and Russian market. And, despite its own success in this direction, Nadezhda Levshova suggests that the growth of this segment will decline. She links it with the general economic situation in the world and domestic consumer markets.

Some networks, selling children's clothes ("Dochki i synochky", for example), impersonate their products as to be imported and that they have an exclusive right to sell it, while these brands are simply the property of the retailer. And there are too many such examples in Russia at the moment. The STM running scheme of the electronics market, for example, is the following: the registration of such brands like Bork or Vitek abroad and after that mimicry of the "Western" ones. Why not to follow this way for fashion-players. "*I think all the goods which are not produced under global or national brand, refer to no name or STM goods. Private labels occupy 15% of the Russian food market, as about abroad there are 30%. In our country, this share can grow up to the size of the same segment in developed markets but it is rather difficult, because it depends not only on the pricing policy of food private labels, but mainly from the growth of confidence to the brand, owning these STM. It is possible that only next generation of Russian consumers will trust to STM food distributes*", **the analyst of FMCG market Michael Mykalo** said.

Perhaps the most typical feature of the domestic segment of private labels in fashion-retail is the same growing problem that was seven-ten years ago. It was not accepted to mention the country of origin and of clothing production. This tendency can be considered as the main for the present stage of development of the Russian segment of fashionable private labels. Moreover, it is typically that even the most famous and successful companies often pretend their own brands to be foreign. Sometimes the companies create the conditions in which these brands imitate the Italian, German or indefinite foreign brands. Technically, it is not difficult to do - sometimes it is enough to create an Italian or German name of the manufacturer, to give the announcement that the head office is located in the "Italy-Germany". After that, the buyer may never know that by the name of "Italian Design Bureau" or "ancient German family factory" it is hidden simple "production merchandising" of a buyer in the Chinese or Indian factory stock with the residual of large production orders of some European or American retailer.

According to Michael Mykalo, it is not worth to wait for some large growth of private labels share in the Russian fashion market. Making his conclusions, which are based on surveys of industry players, he believes that such format of retailers as street retail is now generally "collapses" in our domestic market. According to him, the real possibility of increasing in the Russian fashion-market is 40%. The remaining 60% Michael gives to the fact that this segment will not grow in the Russian reality.

"*In my opinion, the peculiarity of the Russian clothes market is that what kind of goods are imported here - everything will be sold and paid back with interest. However, after the French Auchan has entered to the space of our retail, the company tried to work on the existing in the European market scheme during some time. For example, the orders for the production of STM children's clothing are actively placed in the Asian factories, these clothes were sold in hypermarkets then. Only some time later, the adaptation to local realities led to the curtailment of children's goods and furniture lines in Auchan. Only those segments where the retailer had a clear competitive advantage and high profitability, turnover and*

Shopping store room «Detskiy Mir», Moscow

# PROfashion Kazakhstan

PROfashion is an informational and analytical B2B-format publication about and for fashion industry in Kazakhstan




## THE TARGET AUDIENCE

- Owners and managers of clothing, shoe, and accessories stores
- Buyers
- Big fashion companies
- Brand managers and marketers
- Manufacturers of clothes, shoes, and accessories
- Designers

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- Design news
- Retail news
- Marketing news

## DISTRIBUTION

### PRINTED VERSION

- Big cities in Kazakhstan: Almaty, Astana, Karaganda, Chimkent, Aktobe (Aktubinsk)
- Exhibitions: Fashion Industry (Astana), Fashion Central Asia (Almaty), KAZAKHSTAN FASHION WEEK (Almaty), Childhood'13 (Astana), Childhood'13 (Almaty), Franchising in Kazakhstan 2013 (Astana) etc.

### ONLINE VERSION

- PROfashion magazine website
- E-mail delivery to all the buyers listed in our database (more than 58 000 e-mails)
- Promotion of the magazine on our partners' websites

*common KPI of product group were left*", Michael Mykalo said.
"The trends of our fashion-market *change almost every year. In 2012, the main tendency was "to go to the online». In 2013, there was central guideline to start a new trend - the development of multichannel sales of fashion-products*", Mikhail Mykalo says. It is true, that internet platforms are almost the most comfortable to run and test private labels. And the processes that accompanied Russian boom of online clothing stores during recent years, confirmed this assumption. For example, the project "Dress fun" planned to sell models created by Russian designers in the middle up segment, but it faced great difficulties in terms of production and delivery. As a result, this online resource has decided to produce clothing under the STM.


"Dochky i synochky", Moscow

The story of one of the three largest Russian online clothing stores Wildberries is more revealing. When it came to the launch of collections under private label, the company decided to open its own workshop in the territory of the Russian Federation. And the company did it. Until recently, many customers of this online-shop were not even aware that the brand Wildberries is Russian, but not British, American or European. Nevertheless, the sale of the biggest online-retailer own brands goods did not reach the high percentage. ■

"Academiya", Moscow

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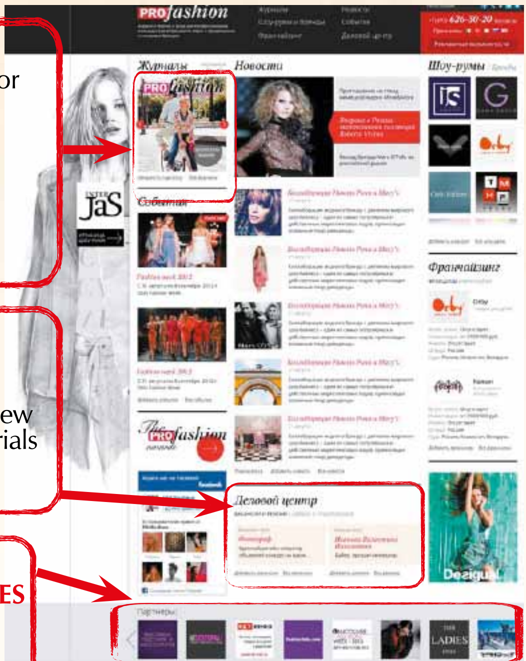


ADVERTISING

# To be or not to be?

***Text: Anastasia Voroshkevich***

***It is known that the word "crisis", written in Chinese, consists of two hieroglyphs: one means danger and the other signifies opportunity. It is difficult to say, if the representatives of the Russian fashion retail foresee great prospects that unstable economic situation can give them, but for sure it is possible to note, that the sign "danger" was deciphered without any problems. It was intense spirit of uncertainty that permeated the atmosphere of "Expocentre" from 25 to 28 February, where the most significant event of the industry in Eastern Europe, Collection Premiere Moscow (CPM), took place.***

Exhibition Collection Premiere Moscow (CPM)

Stand Lagerfeld

Uncertainty is the worst of evils for business: it is extremely difficult to determine the situation and find the most reasonable strategy in a state of instability. On the 22-th session of CPM, many representatives of the fashion business set a task to assess the economic situation and to choose the right course of development. The event does provide such an opportunity: despite the obvious international format of exhibition (11 national pavilions and almost 20 thousand visitors from 48 countries), CPM remains primarily a tool for promotion on the market of Eastern Europe and an indicator of the real state of the economics in this sector, especially in the region. Business program of the CPM of the Russian Fashion Retail Forum, organized by Fashion Consulting Group and PH PROfashion has helped to predict and to assess clearly macroeconomic development trends. "*After the phase of growth in 2004-2007, the Russian fashion market was followed by the phase of deep crisis in 2008-2010, but Russian clothes market overcame it rather quickly, within three years. However, in 2013 it was noted unstable consumer demand again, and it is expected that in 2014 there is a risk of approach of stagflation –the stagnation of demand in a combination with a price growth", ***Reinhard Dapper, the President of the European Council on clothing and textile export** (**EFTEC**) notes. *"We can confirm this forecast by the following figures: the growth of the Russian retail clothes market made not more than 6% in 2013, compared with 11% in 2012 and 19% in 2011. As we know, the average inflation rate in 2013 was not less than 6%, the process of market stagnation started last year, showing zero growth in real terms*".

So, according to a survey recently carried out by ITMM among German producers, that have been working in Russia for 15 or more years, 80% of respondents think that the nominal growth rate of the Russian clothes market will not exceed 5%, and 20% of respondents expect a zero increase or even recession. "There's an excessive amount of goods, which exceeds the level of consumer demand by 25% or even more", - well known distributor of women's and men's clothing of German brands in category "middle plus" stated in the context of this survey.

According to open studies, presented by **Anna Lebsak-Cleymans, General Director of the Fashion Consulting Group**, two years ago, there were more than 40% of consumers who responded positively to the question about the willingness to spend money on clothes, but in 2013 this desire reduced two times less (only19%). "*Reduction of expenses and growth of savings among people are for the reason that consumers are afraid of the second wave of the crisis*", she said.

It is curious that despite everything, online sales show stable growth: the fashion-segment of the Russian market of electronic commerce in 2013 grew by 42% to 75 billion rubles, having taken a leading position in the market of online trading for the first time. And, according to preliminary forecasts, the size of the market of clothes in e-commerce can reach 128,5 billion rubles by 2015 (annual growth rates are estimated from 20% to 40%). Average daily attendance of online clothes stores makes more than 1,9 million visits, and number of orders in Russia is about 47 thousand per day. So, average conversion in this sector is 2,5%, it is steadily high rate for e-commerce market.

Indicative fact that in Russia there has been launched the Internet-stores of the largest international retailers such as brands of the group Inditex (Zara, Massimo Dutti, Oysho), Intimissimi and Karen Millen. The number of offline shops of foreign networks also increases actively: if in 2011 there were about 20 outlets of H & M, in 2013 their number gained 50. It is a general tendency: there is a significant increase in the number of boutiques of such brands like Oysho, Marks & Spencer, Stradivarius, Bershka, Massimo Dutti, Pull & Bear, Zara, Motivi and Mango. In addition, despite the mentioned stagflation, with the development of e-commerce market, some small start-up projects with turnover of up to 1 million rubles per month, got broad prospects, the main distribution channels for them are not only official sites, but also social networks or online showrooms, where they can represent new-to-market brands. "*The future is for niche brands*", Anna Lebsak-Cleymans says and describes the successful experience of Bat Norton, Oh my, CAPSLOCKSHOP, Don Xalat and LN Family. However, it is important to note that the number of these companies in Russia depends on the possibilities of venture financing. And despite the fact that the Russian market of investment in start-ups has increased almost 10 times since 2007, this segment is also depends on economic situation. "*Today warehouses of online and offline retailers are overflowed. They suffer under the pressure of purchase prices of pre-orders. This year, the ruble has depreciated concerning euro for about 15-20%*", says Reinhard Depfer.

**Ekaterina Koptsova, the commercial director of Apart**, notes: "*When clients wrote orders for summer collections, euro cost 42 rubles. Now they need to buy them at the rate of 50 rubles. Such considerable difference will affect further demand and for this reason the main task of all retailers today is to keep a goods turnover*". According to Ekaterina, in the current situation, the business can have the only aim - to survive during the summer and to wait for the time when the situation becomes clearer. "*Today all retailers have to economize, but nevertheless we decided to participate in CPM for the first time (although Apart has already presented on the market more than 10 years), as it is necessary to try new things and to look for new ways of development*", she says.

Stand Eterna

The need to take part in the exhibition, despite the current situation and "the anticipation of the storm" was remarked by representatives of many companies. So, **Tatiana Sukacheva, the commercial director of Ritter**, thinks that exhibiting at the CPM is necessary first of all for customer convenience. "*Although it is much more convenient to write orders in the showroom, there are those who come for three days at the exhibition, and, of course it is more comfortable for them to find us there and not to go anywhere else*", she says. **William Heaton, co-owner of Saville Heaton**, says: "*I participate in many international trade shows and I think that you have to be in CPM - it is a local exhibition, and if you want to work with this market you should be presented there*".

**The president of the large Italian company Casile & Casile Francesco Casile** notes: "*Certainly, today the future of the Russian economy makes us worry - business is influenced by unstable situation in Ukraine, by general stagflation and many other factors. And at the moment all of us are certainly confused a little. However, it is important to understand that economic cycles always replace each other, and in long-term prospect, Russia is strategically important for all of us. I think that in the future the Russian market will continue to grow and develop, for this reason I invest in Russia and I even learn Russian language*".

Not only businessmen, but also national export agencies and associations of manufacturers of clothes of different countries realize the importance of CPM. For example, within the project of the Istanbul Association of exporters of ready-to-wear clothes "Strengthening of the international competitiveness of the Turkish fashion", nine Turkish designers who are constantly presented on professional platforms in Paris, New York and Tokyo took part in this CPM session. **The designer Chyidem Akyn (Çiğdem Akın)**, whose brand has been on the market of Turkey for more than 10 years, says: "*I hope that the project Ready Made and Design, which main task is to demonstrate all the best that there is today in the Turkish fashion, will help us to enter the Russian market. The style of service we offer is quite progressive: it is modern, mobile fashion for women, the transforming things convenient for travel. How-*

*ever, they are not a faceless casual, but the models with a bright character and recognizable design*". The **designer Simay Byulbyul (Simay Bülbül)** is also sure that she will manage to find a way to hearts of the Russian consumers: "*My brand has already existed for seven years, and it is quite famous in Turkey. The main feature of my collections is the use of natural leather, but in non-standard, fantasy options: in combination with atlas or fine silk, with perforation or applications*". It is difficult not to believe in her success, after all Byulbyul is called as "a breath of fresh air" in the Turkish leather industry: her approach in work with natural leather gives the chance to look at features of the Turkish design in a new way. And everybody got used to know that many leather products are made in this country, though, Simay Byulbyul breaks all existing stereotypes, she works with material in a thin, difficult and non-standard way, but at the same time without going to European concept style.

However, not all national delegations are so concentrated on the design possibilities - some of them on the contrary, offer a wide range of production services for sewing any number of service outsourcing. So that, the Tunisian export agency showed on CPM precisely those clothes models that can be produced by their local factories. **Commercial attaché of the Tunisian Youssef Bayud** explained: "*We represent companies that produce high quality clothes and work with world-famous brands. We participate in many exhibitions, our businesses are well known in Paris, but participation in the CPM is also important for us, as we want to work with the Russian market and find it quite promising. I think that the Tunisian manufacturers have everything that Russian customers need: quality, reasonable price and convenient logistics. Of course, the economic situation affects a lot, but strong players with a unique offer will always have many customers*".

Moreover, the same opinions were heard among Russian designers – the participants of CPM. According to **Kirill Gassilin (Cyrille Gassiline)**, CPM is a platform that provides excellent opportunities for promotion: "*We participate in the CPM for the fourth time and are very satisfied with the exhibition, for example, this year we received a large number of orders from new customers (with our regular customers we hold meetings in our showroom)*". On the question of whether there is a decrease in demand or any adverse changes in the market, Kirill replied definitely: "*Fortunately, there is no recession - at the moment we only have growth. In addition, we recently launched the site, and the number of orders that we receive every day, makes all the managerial staff of the company work without rest*".

The Chinese company Dooshion Garment does not feel the crisis, too, and that why it brings the clothes of Snow Image brand on CPM for eight seasons. **Deputy Director of Dooshion Garment So Chzhou Chzhihai** said: "*We are planning to participate in the next session - business is growing and we are absolutely not worried about the economic situation. Due to the fact that we are engaged in production and distribution of our own, our business model is very stable. At the moment we have many customers in the Russian market, despite the fact that the brand is constantly presented in Paris, in the U.S. and many other larger exhibitions, we are pleased to show it here, because orders are going well*". **Manuela Bortolameolli, co-founder of the famous Italian brand Diego M Milano**, agrees with this opinion: "*The exhibition is excellent, we have so many customers and orders that there is no free minute. We are very pleased to be here. Our collection gets a lot of compliments, and it's very nice*".

"*We do not feel the crisis now, our customers constantly increase their purchases. Maybe the reason is that the price of our products is very attractive. We expected a decrease in orders, but the opposite happened*", says **Valery Schutz, a representative of Garcia**. "*This is our fourth session in CPM with Garcia, and for the whole company it is fifteenth. The last exhibition was very advantageous for us. Of course, we expect the downturn: we do not know what demand will be next season; it depends on many factors - the exchange rate of the ruble, the situation in Ukraine and many others. Sure, we will participate in this exhibition many times, but we have a lack of confidence in the future because of situation I have mentioned above*".
**Marion Volkmer, Director of Sales Concept K**, also says that the company will participate in the following sessions of CPM, but she evaluates the overall economic trend more skeptical: "*We assumed that during this season there would be fewer new customers, but did not think so few. It is unclear what to expect - now all depends on the future economic situation in Russia*". However, according to Reinhard Dipfer, not only macroeconomic trends have a significant impact on the competitiveness of retailers of clothing in Russia, but also the challenges that segment representatives face every day. "*Wage growth, higher prices for rent, conflicts arising from the rotation of managerial stuff between competitors, as well as the lack of skilled workers*", he lists the key and the most problematic factors.
"*If we compare the orders of this and last years, we can see that it has not changed. Today all businesspersons have taken a wait - all continue to work at the same pace, but they follow market changes and just deal with current business tasks. Yes, we can say that there is stagnation, but this fact does not negate the need to work*", the **President of Troy Collezione Michael Protchev** says.
Indeed, neither crisis nor unpredictable economic environment cancels the need to solve business problems and to work on improving processes within it. "*Taking into consideration current condition on the market, I was expecting worse situation at CPM. However, clients make choice more careful, but they continue to write orders. I think that in spite of the situation everybody understands that we have to work on*", **Olga Zagun, the founder of the showroom OZ-Fashion** also confirms.
Moreover, such key events as the CPM help to understand what is happening and in what direction to go further. **Young designer Assiya Bareeva**, who was presented at the exhibition, in the section Designerpool, which is sponsored by the organizer of CPM Igedo company, believes that such trade shows demonstrate the situation in the industry rather clearly: "*It is very important for a young designer to see how everything works in order to understand how industry operates. Although I have not received orders from buyers yet, I heard a lot of positive comments about my collection and a lot of advice what should be changed to make things more commercial and well sold. Of course, I listen to the words, but I have already had a clear idea about what product I would like to make and to sell. And I believe that it has its own audience*".
Perhaps young designer is right: the main thing is to have a clear idea about your audience and to understand how to work with it. In this case, the crisis may be a good opportunity for rapid and intensive development. ■

## pompa

- The wide range of light and outer clothing provides successful business, offsetting seasonal downturns that are typical for fashion-industry
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- Four changings of the collections a year gives the opportunity to increase sales of clothes with a maximum margin
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Private highly technological production of outer clothes in St. Petersburg

- Using unique materials, exclusively designed for **Pompa**, for coats production
- High quality fabrics from Italy
- Perfect clothes models
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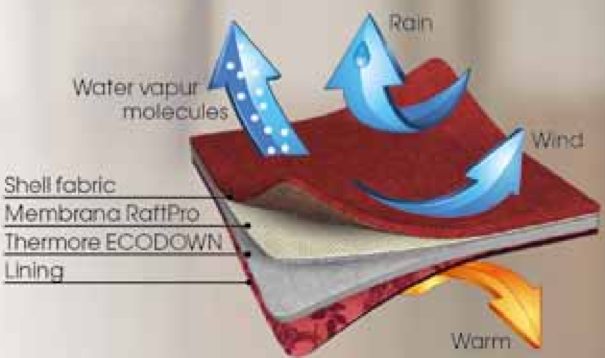


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# Kids shopping zone

*Text: Galina Kuznetsova*

***There are more than ten children's shopping centers in Moscow now. It seems there is a lot. What does this desire to consolidation mean - a perspective tendency or a necessary need? How much better do renters live in the conditions of specialization? Does it increase the average check and conversion?***
***When does it make sense to work in such shopping center? In this article, we will try to analyze a situation and to answer the actual questions of retailers.***

## Who is who

From the beginning, shopping centers had to make this specialization. The shopping center "Kub" was opened in 2007 and it was started as quite traditional platform with a mix of clothes, footwear and accessories but it was re-structured when shopping center "Tuk" had been started within walking distance. The "Aerobus", which was put into operation in 2008, did not have clear positioning, too. And with approach of autumn crisis it was absolutely empty, and because of rhat the decision on reconfiguration and optimization was made.

There were opposite examples - complex "Detskaya Raduga" was opened as a place for the sale of prams and children's furniture, but later clothing and footwear appeared there.

Now kids` shopping centers operate in three formats: as a detached building ("Persei dlia detei", "Bolshaia Medvedica", "Kub", "Planeta Detstva"), as a part of the TEC ("Sovionok" is part of "Savelovskaya" shopping center, "Detskaya Raduga" is a part of the fair in Lublino, "Detskiy kvartal " is part of the shopping center "Kaluzhskiy") and in a department store (Baby GUM, Children gallery "Yakimanka", "Detskiy Mir"). However, Department stores make purchases of goods and management of retail space autonomously, and the majority of market operators are more interested in the relations of property owners and renters now.

## Pros and cons of specialization

The key audiences for all children's shopping centers are mothers from mid-twenties to early-forties and they are expected to visit shopping centers with children up to 12 years old. Really, it is rather difficult to buy goods for 14-year-old. Managing directors explain that teenagers do not want to go to children's shops, lessees say that it is unprofitable to specialize on teenage clothes – too changeable audience, rather small average check, it is necessary to have very big turnovers to keep the low prices, and in Russia the few companies can afford it.

The main advantage is that there are more stores in one place - you can save time, visiting all them on the spot. For comparison, in the children's shopping center there is represented several dozen of clothing and footwear brands- chain stores, boutiques and shopping arcade, meanwhile in a conventional mall - plus or minus five ones. The concept of a choice for the consumer has changed. Now they need to visit from ten to twelve shops, and it is with taking into account the changed style of shopping (according to Watcom Shop Mechanics, three years ago buyers visited on the average from five to seven shops, and walked in shopping center much more slowly). In addition, if earlier consumers had a set from five or seven shopping centers where they used to go, now, according to analysts, their route lies only through two. That is, specialization in this case – it is a way to keep the customer.

Shopping Centers "Persei dlia detei", Moscow

The main disadvantage is essentially the same - many stores in

Shopping Centers "Aerobus", Moscow

one place. For the buyer it means that the assortment in these outlets can be duplicated if the brand is on sale in several shops or in different shopping centers. Besides, in case of the same name "children's mall" qualitative content - convenience of an entrance, navigation and a choice – differs much. Interior decoration should create a good mood, but in the "Bolshaiya Medveditca" semi-dark corridor and the price written in felt-tip pen, remind about the market in "Luzhniki". The division of commercial areas for shops is too small, there are no anchor tenants, and average prices, in fact, are comparable to network shops. In the "Aerobus" there is really a huge selection, but for pedestrians it is quite difficult to get to the mall- they have to overcome highway which is constantly loaded with cars. It is inconvenient with the child and, especially, with several children. Although, the Moscow authorities in 2013 announced the reconstruction of this road junction, it will have to be a three-way; perhaps, there will be more convenient to go to the mall, too.

## Structure of lessees

"Daughters and sonnies" staked out a place both in "Sovionok", and in "Kub". "Obuvashka" and "DeSalitto" shops are both in "Aerobus" and in "Persey dlia Detei", "Stillini" is in "Aerobus", and in "Sovionok". However, in general the structure of brands and the companies does not intersect.

Renters of "Aerobus" are Rikki-Tikki, Magia Detstva, Etty-Detti, Puledro, LOME KIDS and Tilly-Stilley. In the "Detskaiya raduga" there are opened Play Today, Winx,hApril, Limpopo, Detki, To Be Too, Umka Plus and Orby. "Sovionok" gathered such brands as Didriksons, Silver Spoon, Tashi Ortho and Luhta. "Childhood Planet" provided retail space for Deux par Deux, Jonathan, Progress, Lassie, Krikets and MotionWear. In the "Detskiy kvartal" there are Gulliver, Pablosky, Shaluni, Tilly-Stilley, Krutik, Caramelli.

There is different approach of the companies to the management and rental policy.

## Renters

"Persey dlia detei" leases floor spaces from 12 to 350 m $^2$. In "Detskaia raduga" proposes free rooms from 20 m $^2$ to 150 m $^2$, in "Aerobus" - from 45 m $^2$ to 210 m $^2$. It is clear that there is plenty to choose from. The rent price in 2013 in "Aerobus" ranged from \$350 to \$1800 per square meter a year, operating costs were calculated additionally - \$95 per square meter. New tenants have to pay a deposit in the amount of the 3 months' rent. In "Detskyi kvartal" the deposit is less – only for 2 months, and operating costs are included in the rent, but the advance rent payment is for 3 months, but leasable area from 5 m$^2$. In the "Panda-city" they are ready to give larger areas - from 9 m$^2$, rental rates start from \$375/m$^2$ per year and has

already included operating expenses, utility bills and VAT.
In “Planeta detstva” rent is $800/m$^2$ per year and operating costs are $160/m$^2$ per year.
As a rule, the rent cost of areas of more than 100 sq m can fall up to $400-600. Clothing Stores, where the average size is around 50 m$^2$, can expect the rent price as $1000 per year. Are these prices higher, lower or comparable to lease in a standard shopping centers? For comparison, in regional Moscow shopping center rents vary in the range of $ 350-800, in the district - from $1000 to 1300 per square meter a year.
Despite the almost full areas in shopping centers, there is a rotation of renters. “Aerobus” started with “Nakhalionok”, “Gulliver”, Orby, but they are not there now. The surrounding context has also changed - if when being opened “Bolshaya medvedica” was next to “Auchan” and had parking for 50 cars, now there is no other shopping centers in walking distance, and parking was reduced to 20 places. These changes affect visitor numbers.
So, in 2004 there were 4000-4500 visitors at the days off and 2000-2500 on a weekday in “Bolshaya Medvedica”, last year, the flow dropped to 1500 and 500 correspondingly (“Planeta detstva” says about 2500 visitors a day, other centers do not give any information about traffic data). And if from the very beginning “Bolshaya Medvedica “ was expected to give service for 6 regions of SVAO, now its zone has been reduced significantly. The same situation has been with the “Sovionok” till recently - in fact, the center remained as improved market, and the main visitors were local residents and those who lived in area of Serpuhovskaya-Timiryazevskaya subway line. In 2012, the management company has invested about 200 million rubles into reconstruction of kids` and fashion areas, and last year one of the anchor tenants there was the “Detskiy Mir”, taking more than 1000 m $^2$ of retail space. That did not cancel some other shortcomings because sometimes the children’s center depends on big problems. For example, no matter how well maintained “Sovionok” is, and how well they care about renters, but the external situation is not suitable for shopping with children. This shopping center has excellent transport availability – both the subway, and crossing of two highways are near, but the building does not get to the line of sight - from Butyrskaya Street the entrance is cut by the railroad, from the Third transport ring there are apartment houses, and it affects significantly to the number of customers. It is possible to improve a situation by means of infrastructure and some additional services.

## Infrastructure

You can start right from the entrance - “Perseus Dlya Detei” equips a playground with attractions and slides next to their center. “Kub” improves the practical side - it has made life easier for moms with prams, covering ramp with non-slip surface.
Elevators, escalators and food court areas are provided in all children’s shopping centers. However, in cafes visitors are usually offered hamburgers or pizza. As about entertainment in these centers - there are enough of them. “Detskiy Kvartal”, for example, predicts situations with naughty children and puts “corners of creativity” at every level - tables, chairs, paint and brushes.
There are some kids` entertaining zones in “Aerobus”, “Sovionok” and “Planeta detstva”, the last one has also opened 5D-cinema and educational club. By the way, educational clubs

have already appeared in other shopping centers. “Persey dlia detey” has created a network of educational kids` clubs “Athena” in its buildings. In 2013 in St. Petersburg “Miller Center” announced the run of “Bulvar Detstva”, which includes academy of dancing, educational courses and interactive theater, which are based on the idea of education through games. Lessees are still skeptical about the possibility of increasing number of buyers or purchases with the help of organization of such zones; they think it is more useful for common pastime of the whole family than for their business. Although the company “Imagine Estate” is planning to open “Baby Store” shopping center with 150 stores in the north-west of Moscow, near the shopping center “Metropolis”. There will be an educational center, an ice rink, 5D-cinema, and some attractions.

## Parking

All shopping centers have their own parking, almost everywhere it is surface and free, “Aerobus” has underground parking and “Detskiy Kvartal” has paid one. Parking area is not very ample, not more than 200 places.

Total, costs of rent in shopping centers will be comparable to lease in district malls, the traffic will be less, while conversion and consumer loyalty will be more. According experts, it makes sense for lessees to look closely to this format.

## Chronology of shopping centers for kids

**1998** – “Sovionok”, shopping center “Savelovskiy “ (renovated in 2012 , the total area of fashion and kids` zones is 14 000m $^2$, management company “Shopping mall” Savelovskiy”).

**2002** – “ Detskaya Raduga “ (management Company “Vesta -SF”).

**2003** – “Bolshaya Medvedica” (total area of 2611 m $^2$, retail area - 1375 m$^2$, management company “Complex Estate”).

**2004** – the first of six shopping centers “Persey dlia Detei” (total area - 6000 m$^2$, other area of this network shopping centers ranges from 2700 to 6000 m$^2$).

**2004** – “Detskiy Kvartal” in shopping center “Kaluga “ (total area - 2000 m$^2$, management Company “Property Management Company”).

**2007** – “Kub” (total area - about 2100 m$^2$, management company “Quadro”) .

**2007** – “Aerobus” (total area - 34 600 m$^2$, commercial area - 17 400 m$^2$, Management Company “Story-Capital”).

**2011** – “Planeta Detstva” (total area – 2100 m$^2$, trading area – 1 800 m$^2$, management company “Planeta Detstva - Zelenograd”).

**2012** – “Panda City” (total area - 5441 m$^2$, trading area - 5000 m$^2$).

**2014** – (Opening in the second quarter) – “Baby Care” (total area- 14 600 m$^2$, management company “Imagine Estate”). ■


# EXPOLON – Europe's largest center for fashion showrooms

***EXPOLON - the only international fashion showroom center (occupying more than 110,000 square meters) designed for manufacturers, owners and official representatives of Russian and European fashion brands for women, men and children's clothing, shoes, accessories and Russian fur products – is going to open in Moscow.***


The new project, which was set up by AFI Development - one of the leading real estate companies on the Russian market, will open its doors in autumn 2014 and will become a truly unique phenomenon for Russia. According to its concept, EXPOLON International Fashion Showroom Center is going to allow its renters not only to save money with combining an office with a showroom, but also to have all needed tools for successful business processes. EXPOLON will form the most effective synergy of interests among the consumers and the brand owners.

Among EXPOLON renters there will be not only the companies that already have successful experience working in Russia, but also companies which are making their first steps in market. For these companies EXPOLON will become a type of vehicle for presenting their novel ideas and collections in the fashion business.

The showroom center is going to find its popularity among customers as well, because after its inception there will be no need to travel abroad in order to purchase collections at actual factory prices without overpaying. EXPOLON will become a synonymous of interesting and useful cooperation, and also of convenient, speedy and efficient order process.

The absolute advantage of the EXPOLON center is the wide range of services. EXPOLON is also a unique year-round exhibition space, whose premises will be open for regular fashion shows, various events, presentations, workshops, seminars and conferences.

The EXPOLON center features a hotel, which provides a relaxed and comfortable environment for making the working process more comprehensive and productive. At the disposal of the hotel guests there will be rooms of various categories, a fitness center, beauty salon, bar and restaurant. The availability of the hotel supplies presence of customers all year-round.

EXPOLON is the new space for realizing business ideas!

# Few reasons for optimism

*Text: Irina Karimova, FashionEducation.ru*

***At the end of January one of the world's leading companies in the field of management and commercial real estate brokerage Cushman & Wakefield introduced the annual results of the analytical review of market trends in 2014. Denis Sokolov, the head of research department at Cushman & Wakefield, and his deputy Lada Belaychuk told us about how they would develop the most active in terms of investment sectors of retail and office real estate, they also presented an interesting authors` methodology for calculating the cost and demand for offices in accordance with the transportation Moscow scheme.***

SEC "Avia Park", Moscow

Speaking about the general economic situation in the country, analysts do not nourish high hopes for faster economic growth in 2014. According to official results of 2013, "the Russian government has admitted that the GDP growth rate will not exceed 2% this year. The IMF has also lowered its forecast to 1.8%. And although Russia is still ahead of the Eurozone (0.3% is a forecast for 2013) in terms of growth, the gap with the BRIC partners becomes stronger. Moreover, in 2013, Russia outran the U.S. in terms of growth with 2.5%".


Multifuncional complexes "Belay Ploschad"

Thus, our country is coming into a new economic situation: the rapid growth of the market during pre-crisis years, the sharp drop in the period of crisis and again return almost to the level of consumption in 2008 were left behind. Something we have to deal now with- a low growth, but it is stagnation actually. Those who remember the Brezhnev era can make analogies. Nevertheless, there is still some potential for growth, and in some segments of the market in 2014 there will be observed if not revival, but the visible activity at least. According to the C & W report, «in fact, only the consumer market supports the economy. Supported by the growth of salaries in the budgetary sector, the retail trade turnover is growing for 4% in an annual terms, the traffic in shopping centers in Moscow remains the same as it was last year. "

However, despite these conclusions, the rental rates for commercial real estate will continue to grow - according to analysts, the annual increase in the cost of offices in Moscow will be 6%, and a similar situation will be observed in other real estate sectors. Retail properties will remain the main driver of growth and it will be the market, where new players and new concepts come, but at the same time, temporary setbacks are possible throughout the year (offices are still considered to be the most stable segment). Logistics sector is expected to develop rather rapidly, that, firstly, is associated with the active development of e-commerce, and secondly - with the growing needs of retailers at the distribution centers and with the geographical expansion of brands on the Russian market.

As about industrial and service sectors, the situation is quite controversial there. The growth of the manufacturing index was falling throughout the year and apparently would continue to go down in 2014. During recent years, the engineering market, production of vehicles and steel sector have reduced, and there is a slow growth in such areas as construction, services, transport and communications. In addition, according to analysts, investment activity and growth indicators in the retail sector continue to decline in comparison with the same periods of the last year. According to the report, "the causes of the sharp decline of major economic indicators are associated with the crisis in several European countries, which negatively affected the demand for basic products exported to Europe: Oil and Gas". Analysts explain the situation in industry by the lack of financial infusions in production capacity and total outflow of the investment capital from the country because of the unfavorable business climate. Thus, the overall negative economic climate in the world affects significantly to the indicators of Russian companies. On the other hand, C & W experts think that there is a good chance of a favorable outcome of events, but ... on one condition: "despite the slowdown in the Russian economy in the III, IV quarter of 2013 and early 2014, analysts predict the acceleration of growth: in 2014 they can reach between 2.6% and 3%. The increasing in industrial production and in export can only happen if oil prices remain at a stable level until the end of 2014".

If you look at the longer term, the construction of new commercial real estate and breaking-in of those that has already begun, it is necessary to analyze the amount of investment in 2013-2014. The situation here is quite stable and expected if to take as a percentage. "Moscow retains the greatest amount of investments in commercial real estate and continues to be the major investment center in Russia. More than 80-90% of all funds allocated for commercial real estate are raised to the capital. St. Petersburg is on the second place in terms of investment to the sector, there were invested about $50 million in the III quarter of 2013. Our forecast of volume of investments to the high-quality commercial property remains unchanged ($7.9 billion) according the results of 2013. In 2014, the market expects a minor stagnation, and investments will be at the level of about $7.5 billion. In the regions, the proportion of high-quality commercial real estate projects is rather low now; investors

Outlet-centers "Vnukovo"

Outlet-centers "Fashion House"

are more interested in the million-plus cities where the market is much more developed". However, if we talk about absolute numbers in terms of financial investments, the analysts think that there is not the most agreeable situation for the Russian market. "The total volume of investments to the commercial property for three quarters of 2013 made approximately $ 5.75 billion. Compared with the most developed markets in London and Paris, in Moscow this index is 70% less than over the same period in London, and 20% than in Paris".
If we talk about the whole retail sector, as about more dynamic property sector due to the relatively stable growth of consumer income, 2013 was quite successful in terms of the volume of construction and commissioning of the new shopping centers. "New shopping complexes appeared in 22 Russian cities during the first three quarters of 2013. A slowdown in construction in Moscow in 2012-2013 will be compensated by the expected large-scale openings in 2014. The attendance of the shopping centers in Moscow is rather high and consumer expectations are quite stable. "Furthermore, the existing supply shortage of space in high-quality shopping centers in Moscow stimulates retailers to explore actively Russian regions, as well as to experiment with new formats and to pay more attention to the street retail. As about shopping centers which were commissioned in 2013, among the largest and most important objects there are SEC "Raikin Plaza» (III quarter of 2013) and the new phase of the complex "Otrada" in Moscow, as well as the SEC "Zhemchuzhnaya Plaza" in St. Petersburg (GLA 48,000 m²). Mixed formats are actively developed: outlet-centers (Vnukovo, Fashion House) and multifunctional complexes ("Belaya Ploschad", "Evoluciya"). The construction geography of new facilities is rather extensive: from the Southern Federal District (Sochi) to Siberia (Irkutsk, Angarsk, etc.).The largest objects of the year (GLA

SEC "Columbus"

40,000 m² and more) are Mega Grinin (Belgorod), "Acvarel" (Volgograd), "Continent" (St. Petersburg) and already mentioned "Zhemchuzhnaya Plaza". In addition, a significant event there was the opening of a retail park "Bella Vita» (GLA 36 thousand m²) in Pavlovsky Posad, Moscow region.

As for the cost of rent in this sector, it remained stable throughout 2013. Despite the quite wide variation in the rates of high-quality shopping centers in Moscow (from $500 to $4000 per m ² /year, excluding VAT and other payments), the so-called prime retail indicator has not changed and is $3,800 per m ² /year. However, in 2014, rents rising may exceed the projected 5-6% because of the current deficit of retail space in the most successful shopping centers in 2013. In this situation, retailers pay more attention on the detached premises, where, according to analysts, about 5% of free space is available. The benefit is also the fact that rental rates remain rather stable and there is a tendency to conclude long-term contracts (three and more years compared with previously proposed eleven months).

Thus, the commercial retail property market now can be called as already existing, but at the same time, it is able to offer various options for the development of retailers - from the opening of new outlets in shopping malls, street retail format selection to regional expansion. This sector shows stable performance, which allows players to compare and calculate different options as a part of their business strategy. The main thing is to choose the most effective way.

**Eugenia Osipova, the senior director of commercial real estate department of Cushman & Wakefield**, summarized the conclusions of analysts: "*Following the results of 2013, we can say that the retail market is actively developing in shopping centers. Priorities for development are Moscow, St. Petersburg and big cities of Siberian, Ural and Volga federal districts. As always, the demand from operators was for quality super-regional projects that have a good location and accessibility, spacious parking, a strong pool of renters and large entertaining part. Also in 2013, several new brands have entered the Russian market - Shake*

*Shack, Derimod, Max Brenner, Oris, and others; they started their expansion with Moscow. In 2014, we expect stable demand from renters for quality retail facilities, especially in the capital. In regard to the current economic situation in the country, which was formed in the beginning of this year, the retailers choose new projects more cautiously and calculate the economy more carefully. Developers are forced to make some concessions to lessees on agreement conditions of renting areas;*

SEC "Zhemchuzhnaya Plaza", St. Petersburg

*they consider some discounts during the first year of the lease, deferred deposit payment, etc. In the future, we also expect the release of new international brands on the Russian market, and at the end of the year - the opening of the iconic projects in Moscow: SEC "Avia Park» (GLA 230,000 ft $^2$) and the SEC "Columbus" (GLA 135,000 ft $^2$), which certainly will be the bright event in the retail market".*


SEC "Otrada", Moscow

# Central Asia speaks and shows

***Text: Milena Ershova***

*What can unite two Central Asian countries - Kyrgyzstan and Tajikistan - from the point of view of fashion? Perhaps, it is not only particular national Asian specifics of the fashion market, but also common problems of its growth and development. About the most relevant ones, we've learned directly from those, who are involved in the industry and are regular visitors of the only fashion exposition on the territory of Central Asia - Central Asia Fashion.*


National retail in Kyrgyzstan

## Kyrgyzstan

Kyrgyzstan – perhaps, it is the only country in the Central Asian region, where the state spends a lot of money, time and forces to develop all branches of light industry. For this reason, sewing, textile, fur, leather and shoe production makes great strides. According to recent reports of state ministries and agencies, Kyrgyzstan is among the largest importers to Russia of light industry products, giving way only to China and Turkey. Exactly in Kyrgyzstan, due to raw self-sufficiency, light industry is considered to be one of the most highly effective and fast-paid-back branches. Are all these remarkable facts reflected in development of the fashion-industry of the country? According to the direct participants of the market as retailers, buyers and owners of business, not very much.

What does it mean to be cheap?

During last 5-7 years, the fashion-retail of Kyrgyzstan has become one of the most competitive and actively developing segments of economics. According to competent experts, the annual gain of the market in the country makes about 9-11% a year. Despite some political instability and economic uncertainty, there is some special relation to fashion in Kyrgyzstan – which is not the same in any other country of Central Asia.

Several years ago up to 90% of expenses of consumers of the capital were made in the fairs and markets. The huge ware market of the country "Dordoi" got great popularity outside the country. Now the situation has changed and there is an active refocusing from the markets to modern shopping centers, shops and boutiques. Mostly it is promoted by mono-branded giants of the mass-market segment like Topshop, Oodji, Sela, LC Waikiki, Zara, Mango, Benetton, where it's possible to buy inexpensive clothes. It should be specified, that in the category "inexpensive clothes" in Kyrgyzstan there are things from $50-100 for a woman`s dress or $150-200 for a man's suit.

## Consumers` ability

Overall, local retailers evaluate consumer ability of the fashionable market of the country rather high. It is also testified by specific figures: trade turnover in the first quarter of this year in comparison with the similar period of 2013 increased by 13,5%. At the same time, according to the Ministry of Economics, consumer ability of Kazakh neighbors is 6-7 times higher, and Russians - by 8-9 times. However, this fact doesn't confuse local retailers at all. "I*t is difficult to tell about consumer ability from the point of view of particular business*", **the owner of business and also the buyer Marína An** makes comments. "*Too many factors affect it. For example, my multi-brand shop is located in the Central Department Store. Therefore, 150-180 sold units a month is normal for it, for more modern shopping center it is a little. In one of the most popular Shopping Centers Dordoi PLAZA, an average monthly turnover is from 300 sold commodity units. Another thing is that the rent in this shopping center is several times more, than in Central Department Store – from $160-250 for sq. m depending on a location*".

Retailers of Kyrgyzstan are sure that now marketing in the country gradually fades into the background. The shopping centers, which number steadily increases in the country, can offer excellent complex of services that is not limited only with shopping. There are two new, but rather popular, shopping centers of new formation – Shopping Center Bishkek Park and Dordoi PLAZA in the capital. The waiting list, despite the quite high by local standards rent, is made for several years forward. Generally, they are players of the mass-market segment in the so-called category of fast-fashion. Many of them have already been present in the country market at the street-retail formats in the most developed cities - Osh, Karakol, Talas, Zhalal-Abad.

## Specifics of the market

The curious fact that the selection of brands in shopping centers in Kyrgyzstan usually occurs according to the country of origin. For example, in Bishkek Park and Dordoi PLAZA, which were mentioned before, the European brands (Italy, Germany, France, Spain, Belgium, Canada, and the USA) are generally presented. In Vefa or in Central Department Store there are brands from Turkey, Italy and local Fashion Houses. The qualitative factory goods from Thailand, Vietnam, China and Bangladesh – are widely presented in such Shopping Centers as "Bishkek city", "Beta Stores" and "Caravan". It is typically that even the popular multi-brand format also tries to adhere to this extra public rule, placing only that package of brands in shopping centers, which corresponds to the country of manufacturing. One more feature of the market of Kyrgyzstan is possible to consider the fact that in many boutiques along with branded things there are exclusive goods of local production, they can be design clothes, individual tailoring of local studios, fashion houses or some private tailors and they are sold quite successfully. It is possible to see «made in KG" logo on some things, but the majority of so-called "no name" are on sale without label.


SC «Bishkek PARK» in Kyrgyzstan


Marina An

*"Our customers love exclusive goods and are ready to pay for it"*, ***Marína An, the buyer,*** makes comments. *"I am the designer by profession – I was graduated from the local "Kyrgyz-Russian Slavic University" as an artist-stylist. Every season I sew a capsular collection - from 6 to 10 units, depending on inspiration. I sell everything instantly in my own boutique, in a place, which is popular with bishkekets - Central Department Store. My neighbors in trade space also sell the exclusive goods sewed in local studios in addition to branded things. Lately the tendency appeared – customers come to them to buy clothes for some special cases and they are interested in exclusive things with elements of ethnic and national suit. Now for my shop I constructed an optimum formula of assortment selection, depending on the manufacturing country, having divided boutique into 3 equal parts: mass tailoring of "made in Turkey", factorial China and "made in KG" to which my design clothes also belong".*

The Kyrgyz retailers consider local goods with "made in KG" label to be quite competitive. They declare with pride that such domestic brands as Aleksandra, Krista and Prima Vera sew their collections for the market of Russia and CIS countries. However, the local market accepts them not always well.

*"My customers think that Turkish goods are better and of higher quality. But really, it is not always true"*, considers Marína Ahn. *"Clothes of China and Kyrgyzstan are equally popular, but it is difficult to compete with Chinese goods` price".*

## High-quality growth


Akylbek Sulaymankulov

Actually, Kyrgyz buyers are ready to refuse from the cheap Chinese consumer goods, which have captivated not only the street markets of the country, but also civilized formats, in favor of serious European manufacturing brands. After all, it is also promoted by quite a high level of consumer preferences.
*"Because we border with China, the market is almost filled with Chinese goods for every taste and color"*, **the owner of a retail network Replika KG Akylbek Sulaymankulov** makes comments.
*- However, fortunately, the majority of customers of the main cities of the country have already learned how to understand quality and recognize branded stuff from famous designers. Another thing is that our clients start with the price, and only then look at quality. As a result, local buyers are forced to choose: to bring qualitative, but more expensive goods, or to buy cheap ones in China. As for me, I usually take an alternative option for my shops: the larger part of goods I buy at factories and in show rooms of Turkey and China, and little by little, I bring the European producers` goods. Certainly, there is a wish to make this proportion in equal shares as soon as possible but now it is necessary to look up to the consumers who want to save more. It turns out that the most demanded goods are qualitative and inexpensive copies of products of known Fashion houses".*
Almost all buyers report about huge variety and the actual fullness of the fashion-market of the country in different segments: kids` wear, man's suits, evening dresses, underwear, etc. The only nuance – all this plentitude is not of the best quality.
*"We have everything in our country",* Akylbek Sulaymankulov summarizes. *"But we don`t have high quality goods. All fashion-retailers and buyers of Kyrgyzstan now look forward to it. At this stage of development of the market, our main motto sounds shortly and clearly: "we want to carry only the true quality and style to ourselves!"*

## Tajikistan

During the Soviet period Tajikistan was famous for its cotton. It was called the white gold and the main currency of the country. However, production of cotton gradually fell into decay and only during the last decade started slowly to gain its potential. Nowadays the main types of textile production of Tajikistan are different types of fabrics, sewing products from them, jeans clothes, carpets and leather articles. According to the ministry of the industry and new technologies of Tajikistan, the sum of production of textile and sewing articles in the first quarter of this year made $41,7 million (in national currency there are more than 208,5 million somoni).
The government considers the sector of light industry as priority branch in national economics and organizes various state support programs, but indicators of development of this branch continue to fall promptly. This process automatically pulls down fashion-market of the country, which is not at its best of times now.
There are hardly more than three-four tens of professional retailers in the country, some of them were earlier, others are connected with light industry now. In their opinion the main


Visitors are buyers to the exhibition Central Asia Fashion

tendencies in a fashionable retail of Tajikistan are governed by the market, which dictates its position at the Turkish-Chinese enterprises, and also television and glossy magazines which still influence flavoring preferences of inhabitants of the country as at the time of the union. Some purchasers still bring goods in the old manner – from neighboring countries - Turkey, Russia, China, Uzbekistan and Kyrgyzstan.

## Growth problems

Not everything is as bad as can be seen at the first sight. The last few years the groups of professional buyers who purchase goods in the civilized way are gradually formed – they buy in show rooms of the European brands, at specialized exhibitions of fashion in Russia and Europe. As a rule, in their asset they have multibrand shops in modern shopping centers in Dushanbe. Starting business with small retails, they soon open office of a brand, as the buyer and the owner of multibrand shop of men's, women`s and a kids` clothes.


Nargiz Abdulloyeva

***Nargiz Abdulloyeva tells:***

*"I started my business with the ware market, but in half a year I understood that our consumers want the best service and quality of goods. At the first sight, you might think that the fashion-industry in the country is almost absent: there are too many ware and flea markets. Nevertheless, the first impression is not true. Civilized formats strongly logged into the life of the country and forced out everything old. I studied on my own business, made some mistakes and drew conclusions. Now, taking into account the increasing competition, we don`t have such an opportunity. As the result, I consider as one of the problems of our region the lack of any platform for training new*

*specialists of the branch and shortage of qualified stuff. More and more new network brands and franchising projects appear on our market and it means that the need for experts will grow. Now, I discovered the training business program in the exhibition Central Asia Fashion. Moreover, I am ready to travel to Kazakhstan twice a year just to visit it".*

## Consumers` preferences

It is quite difficult to analyze consumer`s preferences in Tajikistan, as they can be substantially differ depending on the town and how far it is from the capital.

*"I can say on my own supervision",* Nargis Abdulloeva tells, *"that the closer town to the capital city, the more people choose branded clothes from Italy, Germany, Russia, Ukraine and Turkey. Most of the market, especially mass market, is presented with clothes from China and neighboring countries: Kyrgyzstan and Uzbekistan.*

*Feature of our market is that in Tajikistan people like to wear the national dress. In addition, there are a lot of those who prefer to wear the original, sewed to order clothing from local tailors. However, they have to buy foreign tissue, which of course, affects the price of products".*

The main paradox of market in Tajikistan, buyers consider the absence of local-produced goods in the domestic market with their active export abroad. According to official information, more than 40 percent of industrial enterprises don`t work in Tajikistan now. According to the Ministry of industry and new technologies there are 24 enterprises in the country that operate now with total processing capacity up to 100 thousand tons of cotton per year. At the same time, the classical "full cycle of added value", which means the process from production of raw materials to the finished product is carried out only by a few large textile enterprises in the country.

## Native-alien goods

Nearly all enterprises of complete cycle currently operate based on foreign capital as joint businesses. One of the oldest on the list is the company "Javoni" in Khujand. It was organized based on the famous Leninabad silk factory two decades ago and transferred to the management of the Italian company "Carrera the USA". Now the company is engaged in deep processing of cotton fiber on the modern technology basis, production and sale of cotton yarn, fabrics, wide range garments, as well as consumer goods. Annually "Javoni" produces ready sewing goods (men's, women's and kids` clothing) for $ 10.2 million. However, it is sold only as "Carrera" brand name and 95% is exported to Europe, the USA, South Korea, and only 5% to Russia.

Another country's oldest clothing enterprise "Gulistan" is exported to Russia and neighboring countries 95% of the produced goods and only the remaining percent is directed to the needs of the domestic market. According to Rustam Nazarov, the chief engineer of "Gulistan", the reason is in the high cost of production. Most consumers in the country are still guided by price rather than by quality. In this field, the main competitor of Tajikistan is China. According to Nazarov, Chinese goods are cheap, that is why to sell local goods in the domestic market is unprofitable. It is possible to pay back production only by sending it for export.

But despite a situation, local buyers don't lose hope that over time Tajik retail operators will be able to get closer to the classic formula of ideal fashion-business: best service, best quality and, of course, best prices! ■


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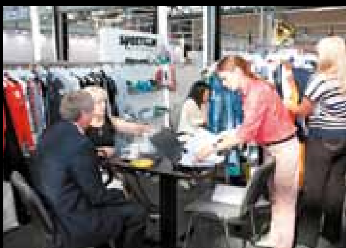
# BUSINESS PROGRAMS

**1. BUSINESS MEETINGS WITH BUYERS IN RUSSIA**

- PR and advertising campaign
- Organization of transfer and accommodation
- Informational support for the participants
- Invitation of buyers/manufacturers
- Organization of the meetings with companies
- Hiring of the translators, hostesses
- Press-clipping with the results
of the PR and advertising campaign



**2. BUSINESS TRIPS FOR RUSSIAN BUYERS**

- Formation of the list of participants
- PR and advertising campaign
- Organization of transfer and accommodation
- Organization of the group
- Informational support for the participants
- Press-clipping with the results of the PR and advertising campaign

**3. PROFASHION MASTER CLASS IS AN**
educational program from PROfashion, where fashion industry professionals share their practical business experience with the participants.

CONTENT

- Theoretical information
- Practice
- Expert consulting and recommendations
on the tasks set by the listeners

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**4. PRESS TOURS**

- PR and advertising campaign
- Formation of the list of participants
- Organization of transfer and accommodation
- Organization of the group
- Press-clipping with the results of the tour

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