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Russian Report

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SAFE HAVEN FOR FASHION?**

Studying the market situation

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NEW OPPORTUNITIES

Foreign policy situation and currency fluctuations make the participants of the Russian fashion market predict only one obvious fact for year 2015 – challenging time is coming. The only thing that remains for domestic retailers is to adapt to the new realities of the market and to be careful in everything; they also have to check up all their steps. In addition, if earlier the foreign retail operators aimed the opportunity to develop their business first in Moscow and then in St. Petersburg, now they are sure that these two capitals are overcrowded and unpromising. That is why in the present circumstances fashion-retailers make a bet on the regions. The market there has not been saturated with interesting proposals from fashion-retailers yet, and consumers are looking forward to the arrival of international brands. Despite the fact that consumer ability has decreased significantly for this year, regions show impressive results of socio-economic development and the emergence of modern high-quality shopping centers. Fashion-retail players only have to prioritize, and the current instability will open them the window of new opportunities – someone has to enter the regional market on favorable terms, and others have to expand their influence in the vast territory of the biggest country in the world. Read a review of the potential Russian cities in terms of retail development and not only about that in the new issue of “Regional Report”.

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First cover TSUM VORONEZH

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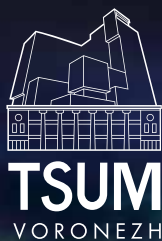
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Flagship mania

The opening of the flagship store is a strategic step in the development of the brand. Flagship attracts interest to the brand, demonstrates its status, it is a good example of a successful business model for franchisees. And working with a leader is different from the opening of regular stores. Anne Sophie Nival, French fashion-consultant in the field of luxury fashion, a graduate of ESMOD, with work experience in such companies as SMALTO, Jean-Paul Gaultier, Stephane Kelian tells us about the secrets of success of the flagship stores.



Anne Sophie Nival



Dubai Mall

Key elements of the flagship store

- Special location - prestigious, historic, tourist or crowded area;
- An exclusive store concept - design, atmosphere, the size of commercial space;
- A special range of products and creative merchandising;
- High level of service and using of new technologies in retail sales

The flagship is not an obligatory condition for commercial success, but it symbolizes the brand influence, its “greatness” provides an international brand visibility and makes customers talk about it. “The flagship is certainly a marketing investment,” - Anne Sophie Nival, fashion-consultant in the field of luxury fashion says.

Flagship stores` link with the architecture of the city

“Brands that go into the country often start with the opening of the flagship. Flagship store allows brand to make a grand entrance, stimulates interest to it, and lets evaluate the country’s response. Notable examples of this process are Hermès in India, Jimmy Choo in Switzerland, Ralph Lauren in Moscow. In my opinion, it would be interesting to open Gucci flagship store in Moscow, because at the moment this brand is working through a distributor,” - Anne Sophie Nival says.

There are three key principles of success of flagship stores - location, location and location again. The harm from incorrectly chosen location cannot be compensated by anything else. And for the premium stores this factor is even more important: in addition to their visibility a prestigious area is very significant for them.

“In my opinion, - says Anne Sophie Nival - the best brand in using of the flagship store`s strategy at the global level is Louis Vuitton. It is famous for the level of research carried out before the opening of the new flagship. With over 100 flagship stores around the world, Louis Vuitton clearly understands how to realize this strategy effectively.”

Prestigious location of flagship store increases the importance of main values of the brand and distinguishes it from all other retail formats.

“For the global fashion-retail it is very important to have a flagship store on the main shopping streets in the world’s fashion capitals - Madison Avenue in New York, Faubourg Saint Honore or Montaigne in Paris, Via Montenapoleone in Milan, Bond Street in London, Omotesando Street in Tokyo. Not so long ago, Shanghai also came in the top of 10 fashion capitals. The city, where 12 flagship boutiques were opened, made great progress. It is an interesting fact that the flagship store and city have a close relationship. For example, the designer Michael Kors, who opened China’s largest flagship in Shanghai (in Jing’an Kerry), mentioned the city by publishing the news on YouTube and on Twitter with the hashtag #MKSHANGHAI. It is a way to associate the image of the city with brand image,” - Anne Sophie Nival says.

In addition to the world’s fashion capitals, it is important to be in other cities. According to such parameters as style and potential commercial benefits, there are some cities today that can be included to this group: Moscow, Mumbai, Dubai, Johannesburg, Istanbul, Lagos, Sao Paulo and others.



The interior of Ralph Lauren boutique, Moscow



“The relationship between brands and cities intensifies when shops “play” with the architecture of the city” – Anne Sophie Nival says. “The building chosen for the flagship store, will also affect the success. If a brand wants to convey a sense of the rich cultural heritage, the choice of a historic building can be a smart idea. In Russia, retailers rent areas in GUM or Tretyakovsky Proezd. Louis Vuitton strengthens its image in the strikingly beautiful shop on Via dei Condotti in Rome, where the first cinema was. In Hermès the principle of conservation of historical traditions dominates when choosing the location, so the brand chose Rive Gauche, Saint Germain des Prés in Paris. The name of the famous architect can play its role. For example, Wang boutique in Beijing was designed by famous architect Joseph Diran. Complex Armani Via Manzoni is located in a building created in 1937 by Enrico Griffini – he was a cult architect of Mussolini times.”

Another placement option is a department store working with luxury brands. There are some famous department stores, which are worth to be mentioned: French Galeries Lafayette, Printemps and Le Bon Marche; American Bloomingdale’s, Sak’s Fifth Avenue and Macy’s; English Harrod’s, Selfridge’s and Harvey Nichols; Italian Galleria Vittorio Emanuele, Japanese Mitsukoshi, Core, Matsuya, Seibu and Matsuzakaya, as well as Hong Kong’s Lane Crawford. In addition, in other parts of the world the number of luxury shopping centers is growing fast. Among the most famous examples is the highest building in the world – Taiwan 101, which houses such shops as Chanel, Prada, Loewe and Yoji Yamamoto; widely advertised Dubai Mall (or Burj Dubai). In Russia, the shopping complexes of “luxury” class include Grand Palace in St. Petersburg and “Barvikha Luxury Village” in Moscow.

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GUM, Moscow

Nevertheless, the choice of the location for flagship store is only the first step in strategy implementation followed by the development of the concept of the store.

The concept of the flagship store

The concept of the flagship store includes design, atmosphere, the size of commercial space and technologies of impersonal sales.

Design is the most conspicuous component of the concept. But the most noticeable part of the design - its colors. Gold and brown shades, prevailing in the design of Louis Vuitton are in harmony with the visual image of the brand and its alluring luxury. Branded black and white colors are associated with Chanel classic style and its grace.

An example of an impressive concept can be a flagship brand Louis Vuitton, located on the Champs Elysees. Shop area of 1800 square meters is a model of a unique combination of artistic and architectural design that is why it received the title «Art on all floors (Art a tous les etages). Even the elevator in the store is a true masterpiece of creative imagination. The lift cabin is soundproof and opaque, and getting into it, the customer immerses in absolute darkness and silence. The idea is that by immersing the person into vacuum, to stimulate his imagination: the elevator is a complete contrast to the riot of colors and visual splendor of the store. This contrast makes the visitor take a fresh look at the products and appreciate them.

At the same time, the size of retail space does not always have to be big. Chloe flagship store on Avenue Montaigne in Paris is about 200 square meters, and Pucci boutique has only 30 square meters at its homeland (Isle of Capri).



The window of Tiffany & Co boutique in GUM, Moscow



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The range of a flagship store should be different from the usual chain stores due to limited collections or capsule lines or goods that are made to individual orders. Non-luxury brands have already mastered this strategy. A striking example - sportswear brand Puma, which opened in New York one of the flagship stores of the “new wave” called Puma Sports Fashion Lab. Specialty of this shop is a clothing line started with Alexander McQueen, Christy Turlington, Philippe Starck and Neil Barrett.

“Some brands create unique collections just for the flagship store. For example, in March 2014, the Swiss watch luxury brand Vacheron Constantin opened its 16th mono-brand store in Russia and the CIS. The new store is located on Petrovka, it has two VIP-zones where the customers are offered an exclusive collection of timepieces, which are available only there,” - says Anne Sophie Nival.

The effect of “total immersion”

“An important trend in the fashion-marketing is an encouraging of buyers` emotional response, - Anne Sophie Nival says. - Flagship store provides exactly such an opportunity. The client goes to the store not just to buy. They come there to feel temptation of the brand and to experience something unique.”

The new trend is a synergy of tradition with modern technology. For example, the Burberry World Live project is a virtual world. Viewers are in the center of the room, and they get into the film, becoming its full-fledged characters. According to Christopher Bailey, creative designer of the brand, the video, which is broadcasted in the hall, is a collective image of Burberry: original music, strict English style, London weather.

When consumers remember a particular store, they remember their emotions, which they experienced during and after a visit to the store. And these emotions are not only visual but also tactile, acoustic and other atmospheric elements of the brand.

The minimum requirement to smell all flagship stores must correspond is that their sales rooms should always smell fresh and clean. Experiments with taste are rare, but there are already some examples. So, Giorgio Armani and Roberto Cavalli brands included in their portfolios of products some offerings with flavors: candy, chocolate, champagne and coffee. In general, the taste is the least significant of all the senses.

The exterior of a leader store should be on top, even when the shop is closed for renovation. In such cases, Cartier and Louis Vuitton in Paris close the facades with giant replicas of their products or with components of the package. Then, even being closed, the flagship store continues to be a communication tool, reminding the public about the presence of the brand, and secondly - a local landmark and an object of tourists` attention.

Special sales techniques

Format of a flagship store is suitable for testing new sales techniques. These include “Trunk show”. It means private fashion shows, where customers are shown selected next season collections before they appear in the store. On these shows, there are often stylists who can hold individual consultation for customers. Burberry, Chanel, Ralph Lauren and others have already conducted such displays.

Pre-season displays and post-season sellout have already proved their effectiveness for flagship stores, if they are organized only for selected customers.

Buying with the help of personal stylist is a trading technology that allows brand to provide the customer positive experience and to establish closer relationship.

“Retailment”

A new word “retailment” (from the English words “retail” and “entertainment”) has appeared in marketing circles. This is an effective way to integrate the world of fashion with art, literature and sports.

“Stores and galleries have become a way of life. Brands bring an element of fun to the process of shopping: multimedia screens broadcast shows with catwalks, various lighting, music, theater shows and exhibitions are organized, celebrities are invited “- Anne Sophie Nival adds.

In 2005, Louis Vuitton opened the exhibition center called L’Espace Louis Vuitton in its Paris flagship store on the Champs Elysees. It became the center of cultural events of the brand. In Moscow’s GUM Tiffany & Co has organized the exhibition “Brilliant Heritage: treasures from the archival collections of Tiffany & Co”, timed to the 175th anniversary of the fashion house and to the opening of a flagship boutique. The brand has demonstrated that it is able to share its cultural and historical heritage with the community. These programs and initiatives proved that brands have already recognized the necessity to go beyond retail activity. Is future on “flagshipcity”?

The more flagship stores in the world, the less is their impact on customers. To keep customers, brands are ready to build the whole cities - in the truest sense of the word. Purchasing of a ghost town in Texas near Austin or construction of the city from the ground in suburb of Philadelphia by restaurant chain Bikinis Sports Bar, by its owner Doug Haller, “the father” of Urban Outfitters, can become a legal precedent. The first city in the world, which is completely controlled by the brand, was opened on January 17, 2014. It is open from Friday to Sunday from 12:00 to 0:00, with its own police and post departments. This is the first step. What will happen next? ■



The interior of Chloe boutique, Paris

Text: Denis Kungurov

Templates for local customers

National chains increasingly rent the best places in shopping malls even in remote regions; fashion street-retail is squeezed by banks, which are ready to pay higher rental rates. What prospects do the local fashion-sellers have?





Yulia Sokolova



Mikhail Rogozhin



Olga Sokolova



Aura Mall, Novosibirsk

As analysts say, the clothes` market grows annually by 8-14%, and federal networks have the fastest growing rates. “According to our estimates, the proportion of federal operators in professional shopping centers in large Russian cities is about 75-80%. Moreover, this percentage continues to grow. In some new shopping centers, it has already accounted 90%,”- said Yulia Sokolova, the director of leasing of shopping centers, retail property department at Knight Frank.

The share of high-quality shopping centers is growing constantly, and commissioning of retail space in Russia in 2014 can almost be 1.5 times higher than in 2013. We want to remind that in 2013 1.5 million m2 were launched. In total, 2000 high-quality shopping centers with a total area of 30 million m2 were opened over the past 10 years.

Schuka Mall, Moscow



Federal tenants are more exacting about the quality of the shopping center than local operators. The size of the shopping center is important for them - not less than 50 thousand m² in the regional center, and not less than 20 thousand m² in a small town. Although federal networks often come to the cities with a population between 300 and 500 thousand people, there are some precedents of federal retailers` presence in small towns. “Our project, the SEC “Omega” in Arzamas (the city’s population is 100,000 people), has such tenants as MODIS, Sportmaster, Befree, Kira Plastinina” - Olga Sokolova, the commercial director of IDEM-commercial real estate consultants, says about the progress in this sphere. The position of local companies in such a situation highly depends on the region.

Expanding To Siberia

Due to the remoteness of the logistics arteries in the Siberian TC (SFO) there are more local fashion chains. In cities with a population up to 500 thousand people, the proportion of local companies can be about 50% of the area of fashion galleries.

Other 50% are sports brands (Adidas, Nike and others) and federal networks-manufacturers (“Monroe”, “Gloria Jeans”). Local networks are usually multibrands with a great deal of so-called “No Name” goods from China and Turkey in the “middle mines” segment or in the format of discounter. The number of these stores does not exceed 3-6. They can be located in the same shopping center as well as scattered throughout the complexes of the city. The turnover of such retail market is within the 9-15 million rubles per year, depending on the area. Assessing the dynamics of the market it is clear that the fashion retail will grow; on the other hand, the share of “shuttle” players will continue to decline by 20-30% per year. First, it happens due to the opening of high-quality shopping centers, as a result, customers migrate there from outdated complexes. Entrance ticket to high-quality shopping center (rents, long access to the break-even point) would be unsupportable for “shuttles”, and they will remain in the old shopping center, where they will be suffocated with unprofitable sales. Even today,

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



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many of them try to escape into the virtual space, opening online stores. Now, however, this channel is not so cheap any more. Some players in this segment managed to get to the federal level. “Brand for Friends”, Moscow online network supplying clothing from China is a prime example of it.

“Quite a lot of these companies came from Novosibirsk. As a rule, all supplies come from China, because of the proximity of logistics “, - Vladimir Weiss, development Director of NP representative, “Managers and developers` Guild” said.

In terms of regional development, the players` strategy is largely determined by the distance between a specific region and the center. “Despite the development of the eastern regions of the country, most national chains are not ready to go further to the east than Irkutsk - Julia Sokolova from Knight Frank is sure. - Of course, such factors as rate, the quality of the project and its concept affect the final decision of operators about renting space in the mall. However, the decision is usually made according a comprehensive analysis of the situation, but not by one specific parameter.”

Volga region

The situation is different in the Volga region. In Nizhny Novgorod premium brands (Burberry, Saint Laurent, Roberto Cavalli, Emilio Pucci, Michael Kors) are developed by the following local companies: INTERMODA, Luxury Store, Milo boutique, but there is no federal retail with premium collections. “Local vendors of luxury enter into direct contracts with European companies. A segment of “medium / medium minus” in Nizhny Novgorod is represented by local offices of major international retailers, for example, New Yorker or Adidas”, - Olga Sokolova, commercial director of IDEM-commercial real estate consultants says.

Large shopping centers, regional and super-regional, are interested in attracting international and federal operators. There are little regional and almost no local retailers in them. The district shopping center in this sense has some benefits from the proximity to the customer and from the quality of goods and services. Local entrepreneurs open outlets in these formats, the example of it is Nizhny Novgorod`s chain store of men`s suits “Maximalist Valentine”.

The advantage of local operators is fast customers` feedback and the ability to rebuild its assortment rather quickly. The



Park House Mall, Samara



Andrey Burmatikov
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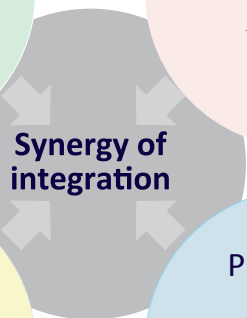
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owners order collections, knowing what kind of buyers will have these goods. Federal networks receive discounts on lease because they rent large areas, as a result they can introduce greater loyalty program.

Speaking of the regions and regional centers, we cannot forget about the cities with a population less than 100 thousand people. We can see only flea markets there- according IN-FOLine, in 2013, sales of women's clothing at flea markets in such cities were 46%. More than 20% were multibrands, about 19% - the retail network. Their perspective is a gradual reduction of those markets by entering Russian networks in small towns.

Local and successful

Experts of Knight Frank also note that many local operators are rather competitive. There are many examples on the market where small local companies were gradually developed into large networks and accessed to the federal level. The most successful networks are, for example, "Gloria Jeans" and "Monroe". Today, these companies, which have grown from a single store in Novokuznetsk ("Monroe") and one plant in Rostov-on-Don ("Gloria Jeans"), are actively developing their franchise. There are more than 650 stores of "Gloria Jeans" network and as about "Monroe", more than 200 stores.

Younger companies are also developing advantageously. For example, a manufacturer of children's clothes "Shaluni" (Moscow) is increasing its own sales network quite successfully. Their competitive advantage - the actual design and limited editions, as well as good staff training, helps them to survive and grow in the retail market. "We have corporate training for sellers, designers and technologists. All experts are well versed in the technological aspects and fashion trends, - Natalia Alexandrova, marketing manager of trade house "Shaluni" says. Now the network has 5 their own stores and 8 franchise ones."

Network "Shaluni" chooses TC with entertainment area and good "neighborhood" of "middle / middle +" segment marks, and usually these are districts with high traffic. In the northern regions, they prefer large shopping centers with a recreation area, because of weather conditions (cold, getting dark early).

Although not all things are going so well, and, increasingly, entrepreneurs prefer to close their stores. But small players have other options for action aside from folding their business. One way is to change the price segment. For example, shoe chain store "Rozhdestvenskiy" in Nizhny Novgorod had to go to more democratic price segment and launched a new brand Uno Zero because of the difficult economic situation. ■

Options for local players:

To go to Siberia

*To go into the towns with population
100 thousand +*

To buy a franchise of a larger network

To turn into a federal network

To strengthen the competitive advantage of quick feedback from the buyer

To go into the lower segment



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Text: Svetlana Korelskaya

Arkhangelsk's fashion

Troitskiy Avenue is the main "trade corridor" of Arkhangelsk, and there are half of the major shopping centers that were built recently. Below there are the main trends of the local fashion-retail. What are the changes of the market situation in this city?



Arkhangelsk



Piramida, Arkhangelsk

Arkhangelsk now is the center of the largest subsidized region without an approved development strategy. Last year's study of CSDF (Civil Society Development Foundation) revealed low integral index of social well-being there: 43%, and it is one of the five worst results in Russia. Dissatisfaction with the quality of life is confirmed with the migration outflow: more than 30 thousand people under the age of 35 have left the region during the last two years. There are four factors that determined their decision, they are low wages, expensive housing, inability to find a job, unfavorable climate. According to the Federal State Statistics Service (Rosstat), on January 1, 2014 the resident population of Arkhangelsk was 350 368 people. It also has two satellite-towns - Severodvinsk and Novodvinsk: 187 284 and 39 613 people. Population of agglomeration is calculated approximately 577 thousand people. According to preliminary data, during the first 9 months of this year, the average resident of the Arkhangelsk region received 27 504.2 rubles as monthly real income, and spent 25 786.1 rubles. The average salary for the period from January to August was 34 711.4 rubles, its real growth in 2013-2014 does not exceed 3%.

Own niche

Trendy clothes for most residents of Arkhangelsk are planned purchase: they would like to be spontaneous, but how to do it? Exchange rates do not contribute to consumers' activity, but the trade sector, including fashion-retail has been steadily increasing, which is especially noticeable on the background of the collapse in manufacturing industries. If something is going to be built in the center of the city, there will probably be shopping mall or entertainment complex.

Before the analysis of the situation, we will give a brief historical background. Arkhangelsk is the first seaport of Russia, founded in 1584. International economic relations with Western Europe were born in this town. Between Troitskiy Avenue and the embankment of the Northern Dvina there was German settlement populated by merchants and industrialists from the Netherlands, the UK and Germany, and local merchants sent their heirs to Western Europe to learn the art of commerce and business ethics. Both affected the customs.



Grand Plaza Mall, Arkhangelsk

Up to the 1920s, wealthy Arkhangelsk`s residents ordered outfits in Europe. Hereditary citizens also kept a habit to follow the fashion during the “age Moskvoshvei”. Annual international jazz and street theater festivals, started in 1980, also made a variety of local life and customs, and, consequently, affected the manner to dress up. By the way, in Arkhangelsk during the times of late socialism everyone could always find a stylish “brand” clothes - it was important to know the places.

“In the second half of the 1980s, a meeting place for future businessmen was a cafe “Chaika”, on the ground floor of the Palace of seafarers - says the owner of “Why Not” boutique Natalia Bondarenko. - I loved and knew how to dress fashionably, but at the same time I also studied the fashion industry, and those who worked on the ships and went abroad, took orders for everything you liked: books, magazines and clothes - and sometimes they brought really sophisticated things.” Today Natalia positions her company to be a “clothing department of elegant style”, not hiding the fact that it came out of the commercial business. Thanks to one of her professions (she is the highest category knitter) Natalia was well versed in jersey. First, she brought quality and rare Turkish products. Five years ago, she added Italian clothing to the range. Now the ratio is 80:20 in favor of Italy - a direct response to demand.

In conjunction with the marketing communications agency “New Line” Natalia Bondarenko has developed a trademark. Acting on the principle of “to sell not a thing, but style”, she organized the club 11 years ago and since that time has rented the space of 54 sq. m on the second floor of an old commercial building “Troitskiy passage”. In “Why Not” not only locals, but also clients from Novosibirsk, Syktyvkar, Moscow, St. Petersburg - the former Arkhangelsk citizens buy clothes, they are attracted by the price tag of 3-4 thousand rubles and combination of models in silhouette, texture, color.

“Before to sell something, buyer has to answer two main questions: “Who are my clients?” and “Does the quality and price match each other?”- Natalia Bondarenko emphasizes. “I am guided not by popular brand, but by the composition of the fabric, cut and size range. I form the collection of my own, so I always realize what part will be sold in the first half of the season, which - in the second one, and what goods will take a discount at the beginning of the next season. It is difficult to promote the “middle-up” brands here, because when you have to buy the whole line you should keep in mind that in such town as Arkhangelsk, customers do not buy five identical blouses at the market price.”

The dream of high style

In 1994 in Arkhangelsk, the first mono-brand store Steilmann of “Fashion Center” trading house was opened, later it was transformed into a multi-brand salon “Gallery 3G». Thus, a close acquaintance of the consumer with the prêt-à-porter has started. Now “Fashion Center” brings together a network of stores in Arkhangelsk, Murmansk and Severodvinsk. This network specializes in the sale of such German and Italian designer clothing as Iceberg, Dsquared2, CLASS Roberto Cavalli, Frankie Morello, Versace Collection, Armani Collezioni and Emporio Armani, Richmond X, Laurél, Luisa Cerano.

At the beginning of this decade, the salon “Lee Feysh” has declared itself. It has great variety of models from Kenzo, samples of French style of Sonia Rykiel, Barbara Bui, Didier Parakian and other novelties, up to legendary Karl Lagerfeld. In total, during 13- year period “Lee Feysh” brought about 20 brands of premium class to the market, not avoiding innovation. For example, last season its range was complemented with the line of women’s clothing by young Italian brand Oblique.

For the owner of luxury clothing salon “Cosmo”, which was opened around the same time, trade receded into the background. Now Valentina Syrova combines leadership of GC “Region”, which owns several large shopping centers, with the activities of the Chairman of the City Duma. However, the halls of “Cosmo” regularly have seasonal collections` changing of second lines Moschino, Armani, MaxMara, Dolce & Gabbana, Ferre, Cavalli and other well-known brands - at the same prices as in the European fashion capitals. The fourth player of prêt-à-porter sector became “Moulin Rouge” boutique - the official representative of such Italian and German brands as Trussardi, Mabrun, Puratatto, Blacky Dress, Jean Paul, Coccinelle.

“I prefer to dress in multi-brand stores, because in every single line of the brand we can find some controversial decision - the stylist Elena Rezitsky said (Model Agency Spartak and Helen Rezitsky). - For example, I see a shiny zipper on the skirt and immediately abandon the idea to buy it. So, I need a similar model of another brand. We practice “shopping with a stylist” service, so I regularly get around shopping centers together with our customers and know how to dress fashionably and comparatively inexpensive. Then why to do excessive spending if there are decent samples of “casual” class? In recent times we have some interesting domestic brands - mostly youth, but there is Zarina, for example - great cheap clothes for businesswomen. You can reload your seasonal wardrobe for 10 thousand rubles, especially if you have the ability to combine things.”

Front and center

There are more than 60 shopping centers in Arkhangel'sk now. About ten of them are along the Troitskiy, the same number is on the Pomorskaya and the Voskresenskaya, that is in the heart of the city. Brands that recently perceived as marginal also move there. Then on the 2nd floor of the shopping center "Grand Plaza" (its name speaks for itself) we can find Russian brand TVOE, which demonstrates basic and casual line, in two steps from the mono-brand store Karen Millen.

Mass market occurs, changing trade formats. Only this year two major projects: "Europark" (35 000 sq. m) and "Titan Arena" (60 000 sq. m) were completed. New shopping malls are focused on federal networks; these shopping centers have underground parking and a whole range of entertainment services. Among the anchor tenants of "Europark", which was commissioned in the summer, are supermarkets O'Stin, «Children's World», "Sportmaster". Soon there will be opened "Titan Arena", giving space for the promotion of H&M, Benetton, Pull & Bear, Bershka, InCity, Oggi, Stradivarius, Nike, Adidas, Reebok. Two similar projects are approved - one is in remote from the center Solombalsky district and the second one in densely populated 7th district, where there is active construction of commercial housing.

"Such world leaders of middle and lower price segment, as H&M are on their way - the founder of "Classic" trading network Sergei Bakurov comments this event. - Their products are sewed in "third" countries, but under strict control of quality. This product will fill the unmet demand for budget but quality things we encounter on a daily basis. People are tired of cheap Chinese products. We don't have an excess of brands on the local market, there is rather lack of them - it's opinion about the market from the point of view of the consumer. In addition, if you assess the situation from the position of franchisee, the large-scale shopping malls of the days off, of course, expand business opportunities. Who could have dreamed to lease 1500 sq. m two or three years ago? Now - please, take at least twice as much, but there is a constraining factor: excessively high rents, on average - 1,800 rubles per square meter. Especially in the old shopping centers, where rental price does not depend on traffic and not justified from a marketing point of view. "

TC "Classica" is the official representative of several brands of shoes and clothing for outdoor activities: Ecco, EL Tempo, Respect, Camel Active, Finn Flare, DESEO and INCITY. 20 outlets in different formats, from boutique "Vatican" (TC "Rim") to the discount store "Dva sapoga", are designed for different target groups. Brand portfolio changes according to the dynamics of demand.

In the beginning of next year, "Classica" will refuse from Finn Flare, because demand in the segment of "middle up" falls by about 10-14% per month. Diversification of the other two segments of the market of fashionable clothes - "middle" and "middle minus" will allow keeping the balance during the crisis. Another promising activity for fashion-retailers during crisis period can be opening stores of outlet format, where quality goods of last season are sold at a discount of 70-90%. ■

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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

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CONTENT

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

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COST: from 1250 to 3000 euros



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

The cost is calculated individually.

Text: Janina Krupina

The New Face of Chernozem region`s Fashion

The development of modern trade formats of fashionable clothes and shoes can change not only the economic but also the cultural image of the capital of the Russian Chernozem region. This vector of development has been chosen for the revival of fashion-retail in Voronezh



Voronezh



Tatiana Sulimina



Maria Malakhatko



Andrew Burmatikov

Shopping centers: a lot or a little?

Voronezh is considered to be the unofficial capital of the south-west of Russia, although in the list of megacities it has the last, 15th, place. An important milestone in the development of the city was the celebration of the 425th anniversary in 2011: by this date, significant funds had been invested in the improvement of the urban environment.

Until 2010, there were only 77 square meters of retail space for 1,000 residents of Voronezh - this is an adequate figure for a city of 200,000 people, but not for the millionth regional center. Since then, the situation has changed: it has 405 square meters of retail space per 1000 inhabitants, and now Voronezh gives place only to St. Petersburg and Yekaterinburg on this indicator among Russian city.

In the beginning of 2010, there was a sharp increase in supply in the commercial real estate market of the city. Shopping-entertainment complexes “Arena” and “Maksimir” and SEC “City Park “Grad” were opened there, the construction of the second phase of TBC “Chizhov Gallery Center” was completed.

The largest shopping mall “City Park “Grad” that has an area of 141,300 square meters is located outside the city, on the highway M4 “Don” in Ramon area. In the “Grad” there are 240 stores, including 5 hypermarkets, the area of clothes and shoes shops is 13 300 square meters. The second largest shopping center of Voronezh is “Maksimir” in the Left Bank district and it includes 120 outlets. Speaking about downtown, we can say that shopping, business and entertainment life there is in TDK “Chizhov Gallery Center”. Dozens of brands of men’s, women’s and children’s clothing, underwear, shoes and accessories are represented there. “Gallery Chizhov” also has online store of clothing and footwear, and outlet center “Fashion Week Outlet” that has been working in the territory of the shopping mall since 2012. A survey, which was conducted in the spring of 2014 by independent service “Your opinion”, showed that almost 40% of Voronezh citizens think that there is no substantial need for the construction of new shopping centers.

Renovated Central Department Store

Market experts believe that Voronezh is not too attractive for retailers because of rather low earnings of population and as a result low volume of trade. Now, according to Director of Business Development Department of retail space company JLL Marina Malakhatko, it is necessary not only to build new shopping areas, but also “focus on existing facilities, regularly update and make them of better quality.” A good example of this is the re-branding of the Central Department Store (in Russian - TSUM). Upgraded TSUM will rely on



the upper middle class segment: according to the commercial director of the department store Nadezhda Ulevatova, this population category is “a role model for the mass market.” One of the authors of a new concept of the project, the director of consulting programs of Fashion Consulting Group Andrew Burmatikov, describes it: “TSUM is the center of life style of successful people. It differs from other shopping centers in the city in a completely different approach to both vendors and consumers. Total retail space creates lighter and easier atmosphere, getting buyers rid of various “individual spaces” of brands. TSUM offers improved quality of service and brands, a new contemporary sound of shopping center.” The facade of the building will be saved, as it is a cultural monument, and the interior will be more spacious and open, acquire modern filling. An important innovation will be creating a unified CRM-system that provides feedback to the buyers, and the formation of a loyalty program.

The structure of tenants in the updated store has not formed yet, but it is known that the central place will be taken by one of the chain stores of perfume and cosmetics, on four floors of the department store there will be located shops of clothes, shoes, jewelry, accessories, gifts and souvenirs. Exhibitions, fairs, sales and fashion shows will be held on the territory of TSUM.

The successes of the mass market

With the launch of modern shopping centers the clothing market in Voronezh has changed considerably. The mass-market segment pleases with its variety: the demand for such items is very high, because the level of salaries in Voronezh is significant-

Statistics

The average monthly wage (2013): 21 825 rubles
Retail turnover (2013): 324.3 billion rubles

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ly lower than in the capital cities. Gloria Jeans from Rostov confidently hold position with its thirteen shops; we can say the same about Sela with five and TVOE with four shops. St. Petersburg's brands "oodji" and Melon Fashion Group opened three outlets. Two shops now have such brands as Seppälä, Mango, Lindex, Concept Club and Zara, and one of Bershka, Tom Farr, Stradivarius, Pull & Bear, H & M, Jennyfer, Benetton, Vero Moda. As about regional players, it is worth mentioning a network of shops Jeans Market with 11 outlets offering a hundred brands of jeans, men's and women's clothing, shoes and accessories. The Company has an online store with delivery across Russia, and the participants of official Jeans Market group in VKontakte have a discount up to 15%.

In the sub-segment of sportswear there are companies represented nationwide ("Sportmaster", Adidas) and regional ("Sportivi") scale. Petersburg's mark RedFox, conducting the All-Russian climbing competitions, sells its products in "Ushba" and "Izbushka ribaka" shops. The footwear market favorite is "TsentrObuv" with its 13 stores; there are three different salons of "Ekonika"; ECCO, Carlo Pazolini and «Tervolina» opened 3-4 shops.

More expensive and more individual

In the higher price segment, sales in Voronezh are much less than in the capital cities (Moscow and St. Petersburg account 75% of this market). Three boutiques in the city were opened by Kira Plastinina, and one by Sultanna Frantsuzova. Foreign premium brands are mainly sold in multi-brand boutiques ("Egoist", "Renome", Brand House, Deep Fashion), often at inflated prices. Guess, Baldinini and Betty Barclay have their own brand shops.

Leading fashion designer in the city is Tatiana Sulimina, who is academician of the National Academy of the fashion industry and a multiple winner of Russian competitions and festivals. In addition to her two shops in Voronezh, Tatiana Sulimina opened a monobrand boutique in St. Petersburg in 2007. Besides, from 23 to 25 September 2014 in the "City Park "Grad" the "Fashion Week of Central Russia" was held under her supervision.

Young fashion designer Svetlana Silvashi started her career in Mongolia, on the factory which produces cashmere clothing Blue Sky Cashmere, learning from experience of such global luxury-brands as Prada, MaxMara, Ralph Lauren. Over time, the factory decided to supply their products to Russia, and this January Atelier Hall Silvia Silvashetti was opened in Voronezh, the Atelier combines the development and creation of clothing collections for shops with fitting existing wardrobe and stylists' services.

Designer Lyudmila Anikeeva is known outside the city: she has been sewing wedding and evening dresses for 15 years; she has salons not only in Voronezh, but also in Kostroma, Lipetsk and Tambov.

To fill in the gaps

Over the past decade, the gap between the world of fashion of Voronezh and two Russian capitals decreased and the average resident has no need to look constantly for things outside the city. However, there is a need to change the vector of development of the local clothing market.

In Voronezh, it is necessary not only to build new retail space, but also to be directly involved at the process of updating and reconception of existing objects, making them of better quality

Lack of a well thought fashion-industry is rather evident: if chain stores attract a lot of customers, the local fashion designers are known by limited audience. They need to go not only to the nearby cities, but also to other regions, including Moscow and St. Petersburg, and at the same time to gain recognition at home.

Such subsegments as “middle”, “middle +” and “pret-a-porte” are underdeveloped in Voronezh - in the near future, this problem will be partially solved by opening the relevant stores in the renovated Central Department Store. According to Andrew Burmatikov, “buyer who “has grown” from the mass market will find here a product with a design solution and quality fabrics from the best manufacturers of Italy and Germany, in the Central Department Store there will be stores of Russian designer’s brands, with excellent models for adequate money.” ■



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Navigator for the CPM exhibition and catalog of companies representing large size clothes. Also it includes analytical information, forecasts of trends, analysis of the plus size clothes market



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