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COMMERCE

# Think outside the BRICs and MINTs

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*Gucci campaign image with Li Bing Bing*

By SARAH JONES

NEW YORK - When strategizing for international retail expansion, sometimes the best plan is to find the right local partner who can tackle the policies and logistical hurdles, according to panelists at NRF Retail's Big Show 2015 on Jan. 12.



In "To Boldly Go…Where Exactly?" the panel agreed that mature and emerging markets offer both unique challenges and opportunities. Navigating unchartered territory with a collaborator is easier than going it alone with direct operated stores.

"We focus on a selective number of markets and partners to have more chances for it to be successful," said Tiphaine Masurel, chief strategy officer for Vivarte Group.

"We would like to focus on a branded retail approach, but it doesn't mean that in some cases licensing wouldn't make sense, so it has to be a balance according to the brand's needs," she said.

Expansion mode

Debenhams looks outside of the oft-mentioned BRIC and MINT nations, with only nine of its almost 250 locations located in these markets. It finds that there are more complications to entering these countries.

Francis McAuley, international director for Debenhams, explained that for him, the acronym BRICS actually stands for barriers to entry, restrictive regulations, infrastructure, corruption and crime and security. He noted that the retailer wants to ensure that its teams work in safe environments.

The Middle East has less than half of Debenhams' franchises, since the market has become as competitive as the United States. There is a high sales density, but the sales come along with more expensive rents.

*Christian Louboutin store in Abu Dhabi*

Stretching out closer to home, in markets such as the Baltics and parts of Europe, is easier for Debenhams since there are many similarities.

As it expands internationally, the retailer feels its biggest strength is its own in-house brands, which are not available from any other store. These labels, which account for 50 percent of its sales, allow it to enter more established markets and compete with exclusivity.

These in-house lines also make it more nimble as it expands, since it does not have to worry about distribution agreements, as it would with external labels.

Debenhams also partners with franchisees in various markets, which are more aware of local policies and culture.

*Debenhams styling tutorial*

Vivarte Group's Ms. Masurel agreed that strategic partnerships can be a more scalable way to expand globally. Vivarte, a collection of ready-to-wear and footwear brands, used to feel it did not need to expand.

When it did decide to expand its 15 or so brands, they were developed as small fashion labels, focusing on wholesale and retail rather than opening its own stores or franchising. As a result, only 15 percent of its revenue came from international purchases.


*Panelists, from left: Francis McAuley, Marcos Gouvêa de Souza and Tiphaine Masurel*

Vivarte decided to change its tactic, entering new markets through partnerships. However, as it was planning, it realized it first needed to find each brand's voice and differentiate

them in positioning. Once this was done, it could more easily explain to an international audience why they should shop with its brands, rather than a competitor.

To achieve localization, Vivarte's partners in a given market--for instance GRI in Asia, where it is opening 200 stores--will handle ecommerce for that area.

Vivarte's marketing campaigns have also morphed to achieve a more international appeal, featuring models such as Sienna Miller, Georgia May Jagger and Leighton Meester.

*Minelli fall/winter 2014 campaign featuring Georgia May Jagger*

Emerging globally

For luxury brands still looking to the B in BRICs, Brazil offers its own set of obstacles and prospects.

A report by Boston Consulting Group argues that Brazil's interior market, the cities outside of major metropolitan areas, are underserved by companies across sectors and consumers there have nearly 20 percent more disposable income on average than their

primary city counterparts.

Sixty of the 98 interior cities with more than 5,000 affluent families were found to have no luxury car dealership. Lack of awareness and accessibility of automakers among many other categories leads to undercultivated markets that will continue to grow well into the next decade (see story).

The country experienced a golden decade of retail, during which the average growth rate was 7.5 percent. In the last two years, the international turmoil has affected retail's performance in the country.

As its economy is plateauing, Brazil has decreased its spending on luxury goods, trading for necessities, according to other research from Boston Consulting Group.

Brazil was once considered one of the prime emerging markets for luxury brands to focus on, with a decade of economic stability that resulted in more consumer purchasing. These changing consumer spending habits call for a retooled strategy for luxury brands (see story).

Brazil has seen consolidation, as the share of the top five retailers increased. In the same period of time, new international players moved in, some of whom expanded at a faster rate than local retailers.

These global players are pushing the local brands to become more multichannel, investing in ecommerce as a growth creator.

"The change and the new players going to the market are permitting a dramatic conversion of local dominated market to a real global market," said Marcos Gouvêa de Souza, founder and director general of GS&MD - Gouvêa de Souza.

Final Take
*Sarah Jones, editorial assistant on Luxury Daily, New York*

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