

SPOTLIGHT

## Outlet Shopping, The European Way

By AMY CORTESE

EUROPE has long been a popular summer travel destination for Americans, but this year, with the dollar trading at all-time lows against the euro, it can be painful — especially for those who like to bring home a souvenir or two (or a bagful, perhaps) from their favorite European designers.

They may still be able to. The designer outlet concept, long popular in the United States, has swept through Europe over the last several years. From Ireland to Greece, retailers, developers and investors have been pouring money into the development of outlet centers that typically offer brand-name or designer merchandise at 30 percent to 70 percent below regular retail prices.

Outlet shopping emerged in the United States in the 1970s as a way for merchants and designers to sell off surplus or last season's merchandise; there are now 222 such centers nationwide. The concept was exported to Britain in the mid-1990s, where it was quickly embraced by retailers and consumers. Forty-two outlet centers were built in Britain from 1994 to 2001, and developers are now turning their attention to other parts of Europe.

At the end of 2006, there were 66 outlet centers in 14 European countries, and new ones are being built at a furious pace, especially in emerging markets like those of Eastern Europe.

"These economies are booming," said Linda Humphers, the editor of Value Retail News, an industry journal that tracks outlet centers. An additional 23 European outlet centers are expected to open in the next two years, with four in Prague alone, she said.

Countries like Poland, Ukraine and Hungary are especially ripe for development, added Brendon O'Reilly, a partner in charge of outlet services at GVA Grimley in Britain, a real estate consulting company that also operates outlets.

Although outlet shopping is an American invention, most of the development in Europe has been from its local companies. Only a few American developers have dabbled there.

Prime Retail, an outlet developer based in Boston, formed Athena/Prime Retail Europe in 1999 to develop outlets in Western

Europe, but later pulled out. Prime Retail was sold to the Lightstone Group four years ago.

The Craig Realty Group, which is based in Newport Beach, Calif., and operates 13 outlet centers in the United States, was a partner in a center near Milan, but sold its stake last December. The company has also looked at sites in Poland and Croatia, but has no immediate plans to dive back in.

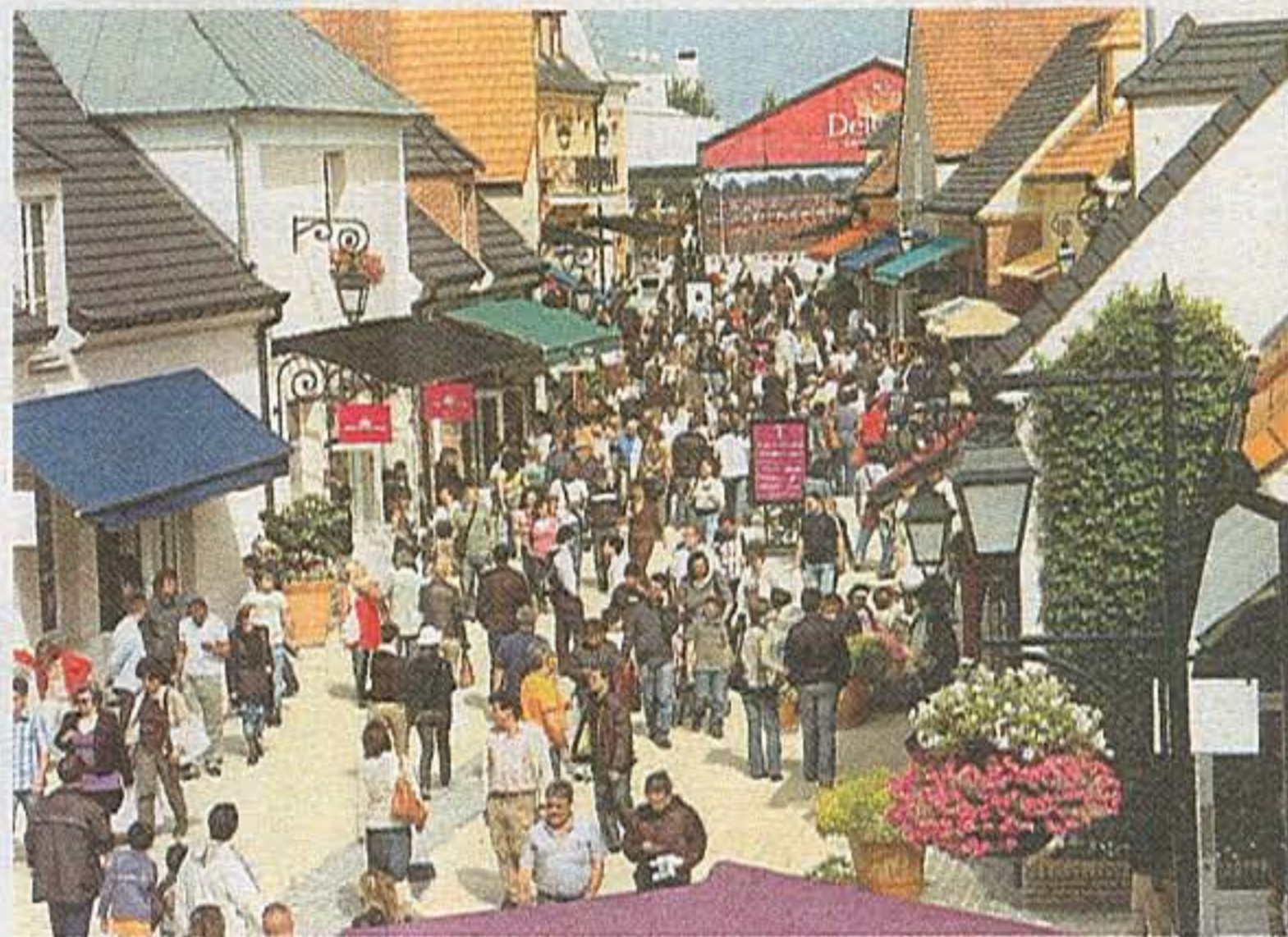
"There are some great opportunities," said Steven L. Craig, the chief executive of Craig Realty. But the distance and complexities involved in navigating foreign regulations and cultures, he said, make finding a local partner essential.

For Europe — home to many image-conscious luxury brands — designer outlets represent a significant cultural shift. In the past, some high-end brands were known to burn their excess inventory rather than risk it ending up being sold on the streets. But as designer outlets have caught on, luxury brands see them as a way to dispose of excess inventory in a controlled and profitable manner.

And, it should be noted, with a certain flair. You won't see the Fendi handbags flying or shoppers digging through bins in a bargain hunter's frenzy. This is civilized discount shopping, and developers are aiming to create a high-end, luxury environment that draws local shoppers as well as tourists.

Since his company opened one of England's first outlet center, Cheshire Oaks, near Chester, in 1995, discount outlets "have evolved to upscale experiences," said J. W. Kaempfer, the chairman of McArthurGlen, an outlet developer based in London. The idea, he said, is to provide "an outdoor experience with cafes, dining and entertainment for a day out with friends and families."

Today the company operates 15 outlet centers in England, Scotland, Wales, France, the Netherlands, Austria, Italy,



Photographs by Richard Harbus for The New York Times

The cobble streets and flower boxes at La Vallée Village near Paris, one of a growing number of outlet centers in Europe, lend an air of country chic. Designer shops in the center include Lalique, below left, and Christian Lacroix.

is in Oxfordshire, England, an hour from London and just 10 minutes from Oxford. Blenheim Palace, the birthplace of Winston Churchill, is nearby, as is the two-Michelin-star restaurant, Le Manoir aux Quat'saisons.

Another of the company's projects, La Vallée Village, is on the way from Paris to the Champagne region, and Disneyland Paris is just five minutes away. Its cobble streets and flower boxes lend an air of country chic.



Spain and Germany, with combined revenue around \$1.9 billion a year. Six more are under development in Italy, Germany and Greece. Its most recent projects, including four in Italy and one in Vienna, are decidedly more upscale.

In June, McArthurGlen formed a partnership with Altagamma, the association of Italian luxury brands including Pucci, Gucci, Ferragamo and Missoni, to pursue new retail opportunities. Their first project will be Noventa di Piave, a 26,000-square-foot outlet "village" near Venice that is scheduled to open in the fall of 2008. Designed by Hydea, an architectural firm based in Florence, Italy, the village will draw on traditional Venetian architecture and include piazzas and porticos.

For Value Retail Management, a developer of high-end outlet centers, luxury has been the strategy from the start. The com-

pany, based in London, is unusual in that it owns, operates and manages all of its outlet centers — nine villages in England, France, Italy, Spain, Germany, Belgium and Ireland. The original vision, said Desirée Bollier, the company's chief executive, was "to bring a sense of luxury to a segment that wasn't very well developed."

Each village has a staff of two dozen Value Retail employees who provide marketing and technical support to retailers. There are no food courts. Instead, top chefs and restaurateurs are recruited, such as Antonio Carluccio, who runs a cafe in the company's Bicester Village outside of London.

The villages, which are marketed together under the Chic Outlet Shopping of Europe brand ([chicoutletshopping.com](http://chicoutletshopping.com)), follow a certain formula. Each is within an hour of a major city and near other interesting tourist destinations. For example, Bicester Village

And while the villages carry major international brands like Versace and Puma, each also has some local favorites, like Pedro del Hierro at La Roca Village near Barcelona, Spain, and Olivier Strelli in Maasmechelen Village near Brussels.

The strategy seems to be working. Ms. Bollier of Value Retail Management says the company's revenue grew by more than 16 percent last year.

The outlets draw much foot traffic from locals who might visit the villages several times a year. But tourists tend to spend

more, and outlet centers have been aiming to woo them. Both McArthurGlen and Value Retail have forged partnerships with luxury tour operators and travel agents like Leaders in Travel and Shop Around Tours, both based in New York.

At Value Retail villages, there are even staff members on site to provide tax forms and help tourists fill them out so they can get their refunds of value-added tax. Ms. Bollier says tourist visits — from Russia, South America and China, as well as the United States — increased by 45 percent over the last year.

"The U.S. customer is very outlet-savvy," Ms. Bollier said. "With the currency not being in favor, buying products in this type of environment makes a lot of sense."

Last week, the dollar sank to a record low against the euro and stood at \$1.3768 on Friday.