

Drapers

The fashion business

WEARING IT WELL

Danish brand InWear's fresh take on women's fashion

NEW YORK SHOWS

The hottest collections from the city that never sleeps

STEP INTO SPRING

It's back to nature for the comfort brands at GDS

ROCK ON TOMMY

Catwalk king Tommy Hilfger reveals his plans for international growth



DITA VON TEESE | DRAPERS AWARDS SHORTLIST | EUROPEAN FASHION OUTLETS

By offering product to label-hungry shoppers at bargain prices outlet centres are cashing in on the downturn, as well as proving a godsend to brands and retailers desperate to shift stock

Words Marino Donati

Village people

With a global credit crunch taking hold, European discount outlet centres may give brands and retailers a sales boost as label-hungry shoppers become more price-conscious.

In the UK, sales growth at out-of-town shopping centres is set to experience a 23.3% uplift during the five years to 2012, far outstripping town centre growth, according to retail consultancy Verdict Research.

European outlet centres are also bucking the gloomy sales trend on the high street. Value Retail, which operates nine outlets in France, Spain, Germany, Italy and Belgium, as well as Bicester Village in Oxfordshire, says sales across its centres are up by double digits for the year to date. McArthurGlen, which has 16 centres in the UK and Europe, reports a similar performance.

Outlet centres, which offer designer brands such as Polo Ralph Lauren, Dolce & Gabbana and Hugo Boss at substantial discounts, have been upping their game. Offering end-of-line product and over-runs, with some brands even making product specifically for the centres, they have become a big draw for label-hungry bargain hunters.

Brands, especially upmarket ones, have adapted to the idea that a strategically placed outlet store can be a convenient way to clear stock without cannibalising high street sales or damaging their brand's image.

Outlet centres and operators have been pulling out all the stops to make the "designer villages" an attractive day out, with top-quality shopfits, car parking, cafes and restaurants – all basic requirements for any modern centre. The strategy is paying off and now, with a global credit crunch talking hold, outlet centre operators are hoping to benefit from an increasingly price- and value-conscious customer.

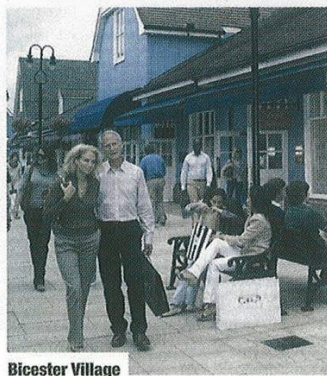
McArthurGlen, which launched its first designer village, Cheshire Oaks, near Ellesmere Port in Cheshire in 1995, has opened



The Outlet in Banbury



Castel Romano, Rome



Bicester Village

one or two centres every year and now has 16, with new outlets being built in Naples in Italy and Salzburg in Austria.

Fund manager Henderson Global Investors runs the European Outlet Mall Fund behind which helps to finance the McArthurGlen portfolio, and is currently redeveloping the 118,000sq ft Berlin Designer Outlet centre which will open next May.

Fund manager David Williams says that footfall at its centres up to the end of June has risen between 1% to 11% on last year. He is also predicting that sales growth is likely to continue. "The average spend is down slightly, probably because retailers are discounting further and maybe people have got less to spend, but the increase in footfall outweighs this," he says.

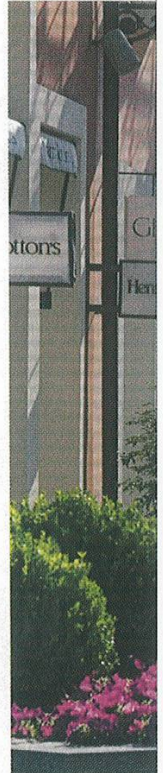
"Historically, when general high street retailers' sales decline, ours increase and that is what we expect going forward, probably at least into early 2010."

Cashing in on the credit crunch

Gary Bond, chief executive of McArthurGlen European Development, says the business will double its trading space in the next five years. "The credit crunch has an impact on people's spending power," he says. "US outlet centres are achieving double-digit growth, while mainstream retail is flat."

He says the perception of outlet centres is changing and that shoppers and retailers understand the concept. "What's changed is that we have improved the quality of the centre designs – we've won design awards for some. Although the UK is driven more by mid-market and mainstream brands, the demand for luxury is great on the continent. There are more luxury brands in outlet centres now – Giorgio Armani, Dolce & Gabbana and Polo Ralph Lauren are now taking large stores."

Bond says that he is in talks with UK retailers and brands to open stores in overseas outlet centres, including high street





Label haven: outlet centre operators are on the hunt for new markets

retailers Clarks and Marks & Spencer and luxury brand Burberry. But there are certain fundamentals that a brand must possess in order to work well in an outlet centre abroad. Brand recognition is key, as the most successful brands in discount centres are names with a global awareness.

Bond says that outlet centre developers and operators are constantly looking for new markets to move into. "The UK is saturated," he says. "Italy has been the largest in terms of growth and will be over and done with in a couple of years. Spain is also developed, but there is still potential for growth in Germany and France."

Value Retail has built a portfolio of European centres under the Chic Outlet Shopping brand. It promotes its nine centres to retailers and markets them to shoppers in the Far East and Russia, as well as Europe, via press and PR campaigns.

Value Retail has eight centres on the continent in Paris, Madrid, Barcelona, Milan, Brussels, Frankfurt, Munich and Dublin, all located within an hour's travel from their respective city centres.

According to Value Retail chief executive Desirée Bollier, the outlet centres' shoppers are made up of locals from within a 90km radius, domestic visitors and long-haul visitors from China, Russia, the Middle East and US.

"European tourists are still very active and

it's not going to slow down," she says. "China has become the number one country for international visitors in the past couple of years, and Brazil is starting to emerge as a key country."

Bargain boutiques

Value Retail works on a boutique concept with no village having more than 120 shops, while the Dublin centre has just 55.

Bollier says: "We can create the quality of environment and service that the brands require and can provide merchandising, personal shopping and staff training. You need this if you are dealing with power brands like Burberry, Mulberry, Tommy Hilffiger and Hugo Boss. We also have niche brands such as Anya Hindmarch and Antik Batik."

“**US outlet centres are achieving double-digit growth, while mainstream retail is flat**

Gary Bond, chief executive, McArthurGlen



The Serravalle Outlet near Genoa, Italy

Bollier says the kind of brands that work best in outlet centres have to meet certain requirements. "You have to be able to create an outlet store that is to the same quality as your high street location," she says. "You have to be able to supply regular stock which must be genuine overstock with a minimum discount of 33%. We have brands where the outlets are an important part of their business strategy, so they overproduce for the outlet."

Bollier says Value Retail had to work hard to convince brands of the value of outlet stores. "The perception has changed now," she says. "They realise that the more successful they are on the high street, the more successful they will be in the outlet."

"Like-for-like sales are up 8% for the year to date across the centres, and 17.5% in total. We're budgeting for double-digit sales growth next year."

Outlet centres closer to home are also bearing up well against the economic downturn. GML Estates, which runs The Outlet in Banbridge, Northern Ireland, is benefiting from the strength of the euro, with half of its visitors coming from the Republic of Ireland to get more pound for their euro.

Centre manager Euan Forbes says that when times are tough on the high street, retailers and brands may find themselves with more overstock than they had planned for, which works to the advantage of outlet centres. "Sales are up double figures, and I've had more requests from retailers in the past month than I have had in a year," he says.

Bollier at Value Retail acknowledges that shoppers' disposable income for fashion is under pressure. "There's no doubt that we are in a difficult climate," she says. "But the label-conscious customer is not someone who will trade down. They want their money to go further and that's exactly the value that we can give them." ●