

Business

Bicester luxury in China with a Twenties twist

Ashley Armstrong in Shanghai on how the Oxfordshire Chinese attraction is expanding in the Far East



After 40 minutes of swerving through Shanghai's dense traffic and even thicker fog, the instantly recognisable turrets of Disney's Enchanted Castle puncture the grey skies, a symbol of China's rapid, commerce-driven society.

On the other side of the four-month old Disneyland Park is Shanghai Village, a gleaming new luxury retail resort that is an ambitious joint venture between Value Retail, the owners of Britain's Bicester Village, and state-owned enterprise Shanghai Shendi.

While there has been endless chatter about Chinese shoppers flocking to UK shops to take advantage of the weaker pound, Value Retail is now betting that the Chinese will skip a flight to London for Aquascutum coats or Milan for Furla handbags, and gain an appetite for shopping at home. After all, only 7pc of China's 1.4bn population hold passports.

The retailer already has a deep understanding of Chinese consumer tastes due to the sheer volume of people that flock to Bicester Village – the UK's second most popular destination for tourists from China after Buckingham Palace.



The Chinese appetite for luxury is reflected in the Gucci luxury goods store in Suzhou Village

Value Retail opened its first outlet centre in mainland China two years ago in Suzhou. Launching a second outlet park at a time when markets and luxury brands are nervous about slowing growth in China could be considered an outlandish bet.

According to Bain & Co research, China's domestic luxury market shrank by 2pc last year while overseas spending grew by 10pc.

However, Desirée Bollier, chief

executive of Value Retail, is unfazed: "I think we need to put things in perspective – until three years ago, China was experiencing double-digit, aggressive growth and in the last three years it has migrated bit by bit from a manufacturing economy to a consumer one.

"This year China will have GDP growth of 6.7pc – which other country can claim that?" the glamorous French-Lebanese former



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Above, people flock to Shanghai Village luxury outlet park even before it is officially open. Right, actress Huo Siyan appears at another Gucci store in China.

Ralph Lauren director asks. “We are happy in Europe if it’s flat and not declining, we’re happy in the US if we reach 4pc, there is very much still growth in China.”

For the past 18 months, the perceived wisdom has been that China is suffering from a consumer slowdown. However, the size of China’s retail market is tipped to overtake the US for the first time this year, while spending by the growing Chinese middle class soars.

“By 2030 there will be 255m middle-class people ... this portion of Chinese spenders will be almost most equal to the entire US population,” says Bollier.

Crucially, there is also a rising enthusiasm for spending in China. McKinsey found that 55pc out of 10,000 Chinese people surveyed believed their income would rise over the next five years – a higher level of optimism than any other developed country.

The Chinese government’s reason for backing Shanghai Village is twofold. Firstly, it is part of a \$21bn investment in the 9.6 sq mile Shanghai International Tourism and Resorts Zone. Secondly, it is part of a concerted effort to repatriate luxury spending.

High-end goods are typically 30pc more expensive in China than in Europe due to a mix of import duty, VAT and shipping costs. However, outlet centres offer an easy way for the middle classes to get their fix at home.

A tour of the new site reveals Shanghai Village to be a major bet on the growth of the domestic Chinese shopper and their rising enthusiasm for spending on leisure activities.

The 55,000 sq meters retail village has been designed as a love-letter to Shanghai and its own roaring 1920s scene, when the Asian town became known as the “Paris of the East”.

In fact, Shanghai Village’s 140 boutiques and avenues resemble the backdrop of Baz Luhrmann’s recent 1920s-set *Great Gatsby* blockbuster – bold, slightly garish, and



dazzlingly artificial, while the angular buildings and fabricated utopian retail space evoke both German-expressionist film *Metropolis* and *The Truman Show*.

The sparkling nature of Shanghai Village and the cult-like greeting by the hordes of friendly staff is a deliberate attempt to set it apart from the mushrooming growth of other outlet parks that are going down the “pile them high sell them cheap” route.

Around 17 new outlet malls were scheduled to open in China in the second half of this year alone, according to Outlet

Insight, and an additional 100 will open in next five years, says CBRE China.

The boom in outlets is seen as an easy answer for luxury brands who are grappling with a softening market and a state-led crackdown on corruption and its associated gifting of luxury goods. As a result, the luxury brands which expanded aggressively during China’s double-digit heyday are now faced with swathes of excess stock.

Bollier and her team are evangelical about creating an experience that will encourage those companies to feel comfortable with their goods being sold at a discount of 30pc or more.

“What happens to that stock at the end is critical to maintaining that brand integrity,” says Bollier. “They have to make clear decisions because they haven’t spent \$200m on marketing worldwide to then cheapen their brand when it comes to extra inventory.”

Value Retail’s Suzhou Village opened originally with just five brands including Gant, Hackett, Under Armour and Chinese childrenswear brand Kingkow. Now it has more than 100 with names including Versace, Gucci and Valentino scrambling for space.

By maintaining a luxury environment, Bollier aims to create the same experience for visitors as they would receive in a full-priced store.

“The average spend that we generate for the brand is going to be elevated, because people are expecting flagship product, flagship experience,” she says.

The group’s Bicester Village is expected to generate more than £2,945 in sales per sq ft this year, an unprecedented figure for the retail industry, beating the level of highspec American malls.

Meanwhile, the opportunity for the group in China is extraordinary

Appetite for style China’s love of luxury good outlets

◆ **China’s domestic luxury market shrank 2pc while overseas luxury spending grew by 10pc, says Bain & Company.**

◆ **Chinese consumers bought almost half (46pc) of all luxury goods.**

◆ **An extra 100 outlet malls are forecast to open in China over**

the next five years.

◆ **Just 7pc of China’s 1.4bn population have passports**

◆ **During Golden Week, a national holiday in October, 500m Chinese traveled within their country.**

◆ **Eight in 10 Chinese tourists in the UK visit Bicester Village.**

due to the country’s scale. Value Retail’s first mainland China outlet, Suzhou Village, is expected to beat predictions of 3.5m visitors this year. The wider area, considered a leisure destination for Shanghai’s second homeowners, has a population of around 80m. However, a further 50m visitors descend on the region during “hairy crab season” when the Chinese delicacy is harvested from the nearby Yangcheng Lake during the autumn.

The state holiday of Golden Week also saw 170,000 people visiting Suzhou Village in just seven days while 80,000 poured through Shanghai Village’s doors despite the outlet park still being months away from an official opening. “That’s China speed for you,” Bollier says.

With Shanghai Village, as many things in China, everything becomes magnified: around 330m people live within a three-hour drive of the shopping centre while another 250m domestic and foreign tourists visit Shanghai a year.

Half an hour away from Shanghai Village is Qing Pu, a rival outlet park which huge stores emblazoned with Armani Outlet and Ralph Lauren signs at the entrance. But the commitment to luxury goods wanes as shoppers dodge rusty scaffolding

at the centre of walkways, to get to mismatched designer suits arranged higgledy-piggledy on racks and jumpers messily piled high. Bizarrely, one shopper highlights Qing Pu’s traditional crouching lavatories and Shanghai Village’s pristine facilities, which also feature Kandinsky inspired mosaic walls, as the difference between the two.

“There is a mad rush of outlets opening in China, but it happened in Europe and US before. We have created an environment where it becomes safe for luxury brands to be here,” Bollier says. “It might say that we are an outlet in our business contract but we don’t run our business like an outlet.”

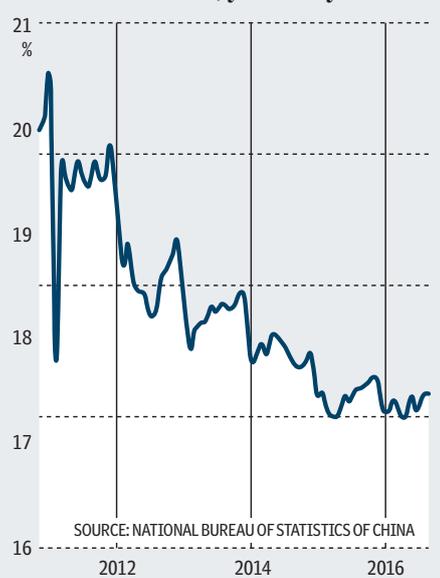
Value Retail also attempts to foster its reputation through its patronage of new, young designers. In Bicester it supports the British Wool Collective while in China it has a fashion training centre, an area dedicated to the history behind Suzhou’s famous silk industry and a shop dedicated to Chuang XYi space – roughly translated as “young collective” – which features upcoming names like womenswear maker Arete or handbag designer Quou. While Chloe Chen has progressed from being part of Chuang XYi at Suzhou to her own shop at Shanghai Village.

“A lot of these young designers do not have stores or cannot afford the risk and cost,” says Bollier. “Now they have a place where they don’t have to haemorrhage or burn their excess stock, but they have a place where their products can have a second life and be experienced by people all over the world.”

Bollier is smart to tap into the rising enthusiasm for homegrown talent. Diana Tu, a retail consultant based in Shanghai says that Chinese shoppers interests in luxury fashion have changed.

“I don’t think that people buy Chinese, just because they are Chinese, but because they reflect the modern Chinese customer,” Tu says. “Like their consumers, the designers are an international crowd, they have studied abroad, often at London’s Central St Martins, and now want to create their own East meets West style.”

China retail sales, year-on-year



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