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Value Retail Booms With Outlets

By David Moin

EUROPE'S ECONOMY is ailing though you wouldn't know it from Bicester Village near London and the other upscale outlet centers comprising the Value Retail portfolio.

They're humming with tourists from China, as well as the Middle East, Russia and South America, who are seriously buying Burberry, Prada and Ralph Lauren at bargain prices.

"We had our best year ever at Bicester Village," boasted Scott D. Malkin, founder and chairman of Value Retail.

According to Malkin's statistics, sales at Bicester Village rose 29.7 percent in 2011 to \$675 million. Sales per square foot were \$2,240, up 24 percent, establishing Bicester as among the world's most productive shopping venues of any kind, though the Bal Harbour Shops luxury shopping center in Miami reported \$2,277 in sales per square foot for 2011.

Malkin, sharing some other impressive statistics, said total revenues at Value Retail's nine outlet villages rose 20 percent to \$2.18 billion, compared with \$1.82 billion in 2010. He also said the number of visitors topped 30 million in 2011, rising 12 percent from the year before, and that, on average, each visitor spent 7 percent more than in 2010, with jewelry and watches the most popular categories, though women's fashion is the backbone of the offering, along with denim, handbags, men's and children's wear, home goods and food.

The nine villages operate in or near Milan, Munich, Dublin, Barcelona, Madrid, Paris, Brussels, Frankfurt and London. They're all under the "Chic Outlet" umbrella and are elevated by distinctive architecture, hospitality and wide streets. But it's Bicester Village, where a quarter of the shoppers are Chinese, that's become the template for Value Retail's first project outside Europe — a 600,000-square-foot outlet center in Suzhou, China, 50 miles west of Shanghai. The project, called Suzhou Village, is scheduled to break ground in March and is planned to offer many of the same brands sold by Value Retail

in Europe, such as Prada, Michael Kors, Coach, Staff International, Ralph Lauren, Sergio Rossi, Belstaff, Missoni, Ugg, Thomas Pink, Yves Saint Laurent, Tod's, Burberry, Giorgio Armani and Roberto Cavalli.

"The Chinese are particularly attracted to luxury brand names," said Marvin Traub, a consultant to Value Retail. "It's very important to them that the product is authentic. Compared to some stores in China, they feel more confident they're buying authentic merchandise at these outlets."

Last year, Value Retail saw a 77 percent rise in the number of Chinese shopping its outlets. They're particularly attracted to the deals at Value Retail because in China, high taxes and customs duties make luxury items exceedingly expensive. Value Retail sells either surplus, end-of-season or last year's merchandise at discounts starting at 35 percent off, and that always represent better values than department store sales. "If full price stores go into reductions, outlets go into reductions at the same time so the relative savings is maintained," Malkin said.

Value Retail also goes out of its way to make the Chinese feel at home. Many signs in the outlets are written in Chinese. There are lots of Chinese on staff, and Value Retail communicates with Chinese consumers via social media sites like Sina Weibo, China's most popular microblogging site and a rival to Twitter. In addition, Bicester Village aggressively markets in China where partnerships with tour operators and agents have been forged, and representatives from Bicester Village and Visit Britain [the U.K.'s leading tourist authority] hold annual sales missions to China. Value Retail has also been boosted by airlines that have recently begun to offer flight options from China to European cit-



Bicester Village near London.

ies, and by western European countries that have relaxed visa requirements. U.S. retailers complain they lose Chinese tourists to European retailers because in China the average waiting period for getting a visa to the U.S. is more than 100 days. It requires five or six interviews at the consulate, and about a two-month wait for the visa, in contrast to a 10-day wait for many European countries. However, President Obama last month signed an executive order that seeks to dramatically reduce visa processing delays.

Malkin expects Value Retail's double-digit growth rates to continue and to be supported by American brands poised to open more full-price stores and outlets in Europe. "Michael Kors is building up a big business and outlets fit in," Malkin said. He also noted that Coach's full-price business is rapidly expanding, which should lead to outlet development as well. Any well-run brand needs a multitiered distribution program with "high-quality outlets," according to Malkin. For him, that's defined by an ambiance and amenities above other outlet experiences, and the character of the inventory. "We believe in authentic stock," Malkin said. "You don't have made-for-outlet merchandise visible in the European market the way one expects to find it in the U.S. because the market is less mature in Europe. We don't see any evidence of made-for-outlet product in Europe. We assume it's not as interesting to customers."

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