

China: luxury outlet race gets under way

Value Retail will open a mall in Suzhou, one of the country's richest and most popular tourist destinations.

Suzhou, by guest writer Rita Fatiguso.

Hairy crabs, a typical local delicacy, are in season. And, on reflection, the salty air hanging over the peninsula of Yangcheng Lake is enough to make the mouth water. Leave all thoughts behind of an aggressive China, founded on concrete. Here the setting is agreeable, the cottages discreet. The sandy shoreline is perfect for long walks and there has been considerable development in the area appointed for the construction of Suzhou Village™, a *Chic Outlet Shopping*® Village. The project is part of the Value Retail Collection founded by Scott Malkin, the company's chairman.

The project, which has the backing of local authorities, will offer thoughtful and carefully considered architecture blending Eastern and Western styles: a Village in which to experience something that goes well beyond shopping. Work is progressing rapidly on the construction site, with a second Village in China already confirmed in the Shanghai free trade zone, which was inaugurated on 29 September. Value Retail has signed an agreement with the Shanghai Shendi Group, the developer of the Shanghai International Tourism and Resort Zone of which Disney will be a part, which became operational with the approval of the FTZ. The *Chic Outlet Shopping*® Village will be built in the centre of the 28 kilometres of the new free zone, with the unveiling set for 2015.

A smart move, undoubtedly. "We are delighted that we have been given the green light to go ahead with the project," says Mark Israel, CEO of Value Retail Management China, "but Suzhou Village is currently our primary focus and is our test for China".

Israel understands the Chinese market well: he started his career in the furniture industry, then moved on to diamonds. He has a brand-orientated approach and says he is convinced that the Value Retail China formula will satisfy the tastes of the new class of wealthy Chinese who enjoy spending their money and free time away from the big city crowds.

After Suzhou and Shanghai, Value Retail China will turn its attention to Beijing, Guangzhou and Hong Kong. The objectives for return are paramount. "In Suzhou", says Malkin, "we initially anticipate sales of \$2,000 per square foot". Compared to 2012, when the nine *Chic Outlet Shopping*® Villages in Europe produced takings of \$1,400 per square foot.

"Suzhou is 50 miles from Shanghai, in one of the most dynamic areas of China," says Israel. "It comprises a great amount of wealth. It is a significant tourist destination. There is a historic quarter situated around a network of picturesque canals, including a silk museum, with a history worth exploring and recounting. We want the Villages to be a harmonious part of the local history."

Needless to say, shopping mall fever has broken out in China: by 2020 there will be 10,000, and 4,000 more between now and 2015. Not to mention the outlet centres, now seen as the subject of nightmares, aesthetically unappealing and filled with cheap products. But a growing sector of the public is unwilling to settle for this. The Value Retail formula, on the other hand, is ambitious: it offers not only shopping but an experience centred around luxury and lifestyle.

"The Chinese are increasingly demanding and sophisticated in their shopping behaviour and expect an elevated level of service and high attention to detail; our concept, which has worked so well in Europe, is perfect for China, as is the mix of brands – among them several Italian designers – that is represented at each of the Villages", Israel points out. In 2012 the group recorded more than 30

million visitors, with an increase in tax-refunded sales of 42% on 2011. The big spenders arrive from China, the Middle East and Russia. The high level of quality promised by Value Retail, which will find the perfect atmosphere for growth in China, will be the trigger for tourism. A relaxed shopping experience becomes part of the journey. At home, the Chinese are taking the first steps with this new concept and they are enthusiastic. The *Chic Outlet Shopping*[®] Villages will also take this into consideration: a welcome centre connecting visitors to all the local sights of the area. The investment is considerable, but this really is the perfect place for it.

Caption in page one:

Two thousand: estimated revenue (in dollars per square foot) in Suzhou Village™ *Chic Outlet Shopping*[®] Village, which Value Retail is building in China. In 2012 the average of the nine European Value Retail Villages was \$1,400 per square foot.