

# VALUE RETAIL: EXECUTIVE INTERVIEW

By Tim Jackson | WGSN | 23 November 2011

## Value Retail is a thriving luxury brand outlet business with global sales of \$2bn. Retail thought leader – and founder and chairman – Scott Malkin explains his consumer and brand-centric view.

Luxury brand outlet business Value Retail is expected to reach global sales of \$2.18 billion this year, up from \$1.82 billion in 2010, and yet very few of the customers who shop in its retail locations would recognise the company's name.

The shoppers will instead be much more familiar with the brands it stocks and the names of the company's nine western European outlet villages including Bicester Village in the UK, its original retail location.

"We do not communicate outwards [to consumers] about Value Retail," explains chairman Scott Malkin, who co-founded the business in 1992. "Each village itself is the brand; and the collection of villages, Chic Outlet Shopping, is the brand."

This perspective is at the heart of Malkin's approach to the business. Value Retail, he tells WGSN, is focused on two sets of customers: the shoppers and the brands sold through the villages.

As a company Value Retail's role vis-a-vis the shopper is to provide a positive retail experience. Malkin says: "We are in the experience business, just like a terrific department store. It's about making a day memorable, and shopping of course, so that the purchase is made in that mindset."

### BRAND RELATIONSHIPS

The brands, however, are the key for Value Retail. "We exist to serve those brands," says Malkin, adding that a core mission of Value Retail is to help the brands "drive their full-price positioning and brand sales. Everything we do is intended to reinforce the full price."

This focus on full-price sales has helped Value Retail cement its position as a dynamic retailer of authentic branded products. Unlike other outlet destinations, Value Retail does not work with brands on special collections. "It's actually contractually banned," explains Malkin.

"The essence of the brands' identity and reputation and the experience we offer the shopper is the authenticity of that experience, which in turn is reliant on the authenticity of the goods themselves; it's a closed loop."

This model is a main driver of success for the company and the genuine product offer has helped pave the way for the Value Retail's next, and most ambitious, retail project. In September it announced plans to take its outlet village concept to China with a 600,000sq ft retail destination located in Suzhou, 50 miles west of Shanghai.

The move builds on the incredible popularity of the European outlet villages with Chinese tourists. From January to June 2011, for example, sales at Bicester Village generated by visitors from China were up by 61% compared to the same period in 2010.

Authentic product is a key attraction. "Why do Chinese people come to Bicester Village and shop in Clarks shoes?" says Malkin. "Because the person shopping knows they are real. And people who have the freedom to choose want the real thing. The real thing in terms of experience and content is all about reflecting and respecting brands' businesses at full-price."

### GROWTH IN EUROPE

Sales figures for 2011 are expected to be up 20% on 2010 but Malkin believes Value Retail's existing villages can still be more productive: "We are committed to dramatic growth in Europe by increasing the productivity of sales in our villages and the selective expansion of our existing villages."

Work, for example, has recently started on a 30-boutique extension to La Vallée Village, north of Paris, which will grow the number of stores from 90 to 120.

Bicester Village, Value Retail's original outlet centre, serves as a benchmark for performance across the group. It has sales densities of \$2,240 per sq ft, making it the number one shopping centre by sales density in the world.

Although Bicester Village is full to capacity and is the most mature of Value Retail's villages, keeping the offer fresh is a continuous process. Last year around half of the village changed in some way, with around a quarter of brands changing in size or their relationship with the village and another quarter refitting stores, "typically upgrading substantially to keep up with the quality of experience that is being offered to the consumers," explains Malkin. New brands also came into the village.

"Existing brands were upgrading not just the shop fit, but also their service," adds Malkin. "The result is that half the village last year felt new; and even if the customer has never shopped there before they can tell that (the village) is alive and is a place that speaks of fashion and a fashion experience."

### \* FACT FILE

- Harvard graduate Scott Malkin is chairman of UK-based luxury brand outlet business Value Retail
- The company was founded in 1992 and currently has nine villages operating under the Chic Outlet Shopping brand across western Europe
- The villages are located near to urban centres including London, Paris, Frankfurt and Milan: Bicester (UK); Ingolstadt and Wertheim (Germany); La Vallée (France); Fidenza (Italy); La Roca and Las Rozas (Spain); Kildare (Republic of Ireland); and Maasmechelen (Belgium)
- In 2010, the Value Retail Villages generated sales of \$1.82bn. Total sales in 2011 are expected to reach \$2.18 billion, a growth rate of 20%
- It now plans to enter the China market with an outlet village set to open near Suzhou, west of Shanghai, by summer 2013. The first phase of the village will have 125 stores, occupying 250,000sq ft
- Suzhou is China's fourth largest city and in 2010 was visited by 2.6 million foreign tourists who spent in excess of \$1.2bn
- A further five outlet villages around Beijing, Shanghai, Guangzhou and Hong Kong will be developed over the next three to five years
- Bicester Village, located north of London, is the leading shopping centre by sales density in the world (\$2,240 per square foot), up 23% in 2011 to date.

## EXPANSION INTO CHINA

While Value Retail will work to get more out of its current European villages, it is limiting expansion into new markets to China only, starting with the Suzhou store. The decision is based on Malkin's conviction that future business success will depend on two things: "Number one, a plausible China strategy and number two, a plausible digital strategy."

"A plausible China strategy is just a benchmark for being international, and a plausible digital strategy is a benchmark for anticipating technology and its importance. Both are acknowledgements of the future that's upon us right now and if a brand does not have those two characteristics it can only be niche. And if it's only niche it will have a hard time sustaining itself with the economics of the modern world."

With that future in mind, expansion into China will take priority. "Our goal (in terms of physical expansion) is to continue to serve the same brands with the same quality of experience, product and service to the same global traveller – but in this case in Tier One cities in China rather than going to Tier Two cities in Europe or Eastern Europe."

The pace of development is a draw for the company. "The market is growing and consumer awareness and sophistication is extraordinarily fast moving," says Malkin of the Chinese market, adding that the growth that would normally take 15 or 20 years to take place will occur in just two years.

"That sophistication means brands have a real prospect of being understood and represented at higher price points with better consumers."

---

## COMMUNICATION

Malkin notes that the Value Retail consumer is tech-savvy and he sees digital and increasingly m-commerce as a priority for communicating the villages and their brand values.

"We tweet, we blog, we have QR codes. It goes right down the list," he says. "Some of it we have in better form than another, but we are well beyond websites. It's all shifting and changing constantly and the reality is most people in charge don't think this way. And most of the people who think this way are consumers. They are digital people."

Up to October this year, traffic to the nine Chic Outlet Shopping Villages websites was up by 18% on the same period and the sites have seen around 6.6 million unique visitors this year to date.

The websites publish content in 12 languages and by the end of 2011 will be available in Russian, Brazilian Portuguese and Chinese, as well as local European-language translations.

---

## ORGANISATIONAL STRUCTURE

Value Retail's consumer-centred view reflects the entrepreneurial attitude that originally drove Malkin to establish Bicester Village in 1992, a dynamic approach that drives the management and organisational culture of the business today which he describes as "a culture that respects invention and respects the progression that has to exist."

"Everybody is always talking about getting the price down, but when you mix in getting the price down with getting the value up; now you have a proposition that works."

To keep the company's culture vibrant and innovative Malkin believes autonomy within the team is essential, achieved through small teams and a flat organisational structure.

This creates a dynamic organisation able to respond quickly to a changing market. "There has to be an absolute recognition, a realisation everyday that you are racing against the clock and you are competing with change, competing with technology and you are competing with disruptive change," he says.

It's an approach he also uses for assessing the competition, rather than focusing on direct comparisons which means, says Malkin, "I have already lost because actually that's the lowest level of competition."

"The next level, one notch higher, is to compete with myself and wanting to do better. That's still actually blind. The level up, which is where it starts to get interesting, is to wake up and realise the world around me is changing so fast that I am not competing with myself, I am racing to keep up with the world that is changing around me."

In assessing Value Retail's values and vision as a business today, Malkin says: "I think the words that define us today are experience, hospitality and oasis; and our goal is to create moments of magic that are the result of those three."

- Spend per visitor at Bicester Village is up 10% in the YTD, gross sales are up 28% and footfall has risen 17%
- Sales densities at La Vallée Village serving Paris is currently trading at \$1,850 per square foot
- Across Value Retail's nine villages, 489 brands are sold in 872 stores. New brands in 2011 include Prada, Michael Kors, Coach, Belstaff, Missoni and Roberto Cavalli
- China and Russia represent the two largest tourist markets for the business. At Bicester Village, sales generated by visitors from China were up by 61%; South East Asia, up 96%; the Middle East, up 68%; Hong Kong, up 71%; and Russia, up 48% compared to the same period in 2010

[www.ValueRetail.com](http://www.ValueRetail.com)



VALUE RETAIL