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Diamart Connect

RETAIL

International Retail The New Way

New frontiers

Editorial

New frontiers

The pandemic has thrown retail trends into hyperdrive and at the start of 2021, poker cards are completely reshuffled for international retailers. Whilst most economies are still experiencing restrictive development, several markets are recovering well such as luxury and premium, particularly in Asia and more especially in China.

What strikes me is how, after 12 complicated months, retailers are now accelerating omnichannel and store digitization to embrace 'retail the new way'. They are urgently activating click & collect services, e-reservation, personalised shopper appointments, ship from store and even e-commerce businesses for foreign franchisees.

Retailers expanding globally are rare at this point, but amongst those betting on a big country, China always comes first. Some retailers who had taken a step back in Asia, now want to accelerate again. "We can't do everything or go everywhere, so we've put the priority on China," I often hear them say.

For consumers, the sustainable and CSR phenomenon is definitely global. Lockdown curfew after lockdown curfew, consumers learned to appreciate their values, rethink their daily lives and reflect on the impact of their consumption. From Hong Kong to Sao Paulo, eco-responsible and economically viable retailers are emerging to meet these new aspirations.

In this stunning re-balancing, investing in agile and proven omnichannel information systems remains critical. Retailers demand a global system with several strengths to support their operations' requirements and outperform competition. The platform has to be transparent to the parent company, running with open standards with full and immediate integration into their wider digital, retail and IT ecosystem. Solutions need to be compliant from a legal, fiscal and retail practices' point of view and seamlessly integrating with local solutions like payment and digital marketplaces. Above all, they're looking for a fast return with a proven impact on performance and productivity.

Sylvain Jauze
Director of WW Sales & International Operations, CEGID

Summary

PANORAMA

Regions and opportunities

Europe, Middle East, Asia and the Americas. An overview of the current dynamics for global retailers by territory.

Is international development slowing down or accelerating for retailers? There seems to be as many answers as there are retailers. Indeed, some companies such as Moncler from Italy, Ulta Beauty from the U.S. and Arket and & Other from Sweden Stories (part of the H&M Group) are maintaining global expansion. The Asian drugstore retailer A.S. Watsons aims to open 100 stores in the **Middle East** by 2025, via a franchising agreement with Al Futtaim. Meanwhile, others like L'Occitane, Victoria's Secret and even Inditex are scaling back. "Given the operating loss recorded in 2020, some retailers no longer have the budget to finance physical and digital development. When it is necessary to save furniture during a fire, you need to reallocate financial and human resources to a clearly lit path" said Cédric Ducrocq, C.E.O. of Diamart consulting company. "Brands no longer have the luxury of spending resources and energy on secondary businesses". However, strategies also depend on the state of mind of shareholders. The fashion retail group Beaumanoir sold its assets in China in order to concentrate on recently acquired brands and quick profits in the core domestic French market. When retailers operate own-stores abroad, it is also very complicated to envisage closing these overnight. "On the other hand, we see that retailers who are more digitally advanced and survived stronger in 2020, are expanding and even buying up bankrupt brands. There are many opportunities for low-cost external growth at the moment," added Ducrocq.

China comes first. As another notable phenomenon, China is the critical market for some retailers, ahead of the USA. Although it remains an expensive destination, China now sits in the "top priorities" of retailers like **Chanel**, **Moncler**, **Burberry**, **Longchamp**, **Hermès**, **Galeries Lafayette** and **Jacadi**. "Many of those who slowed down in Asia want to accelerate again," summarized Sylvain Jauze, Director of WW Sales & International Operations at Cegid. When premium retailers want to accelerate in a key country, China now always comes first". This is also the vision of Alexandre Fauvet, C.E.O. of Fusalp, an outdoor clothing & equipment brand. "We understood that we cannot attack Asia and the U.S.A. at the same time, so for the moment we are focusing on Asia. China is a key market for Fusalp. We have to be ready ahead of the 2022 Beijing Olympics. China also represents a fierce battle. It's expensive in terms of marketing and it takes time and investment to earn a place in a competitive environment".

Interviewed by Cegid, the C.E.O. of a high-end footwear retailer operating a virtual store on Tmall (Alibaba) shares the same opinion. "In China, being present on Tmall is not a source of immediate revenue," he said. It's actually much more of an investment, for at least two years. During the first twenty-four months, a brand will have to reinvest the entire margin generated by digital sales into marketing and communication (key Opinion Leaders, social media, etc.). In China, digital is a solution to record sales quickly in order to fund reputational awareness and make your brand both attractive and desirable". ...

PANORAMA

••• **Digital first?** At the global scale, digital is critical and a method of testing new retail markets. "Previously, retailers used to open flagships in the world's major capitals," explained Frank Quix, Chairman of the Ebeltoft Group, which has retail consultancy firms in 20 countries. "Either they mobilised huge capital expenditure and bore the risks associated with direct operation, or they relied on master-franchise partners who took all the risks in terms of investment, operation and residual stock". Today, the situation has changed, and retailers understand the value of partnering with large local online platforms such as Zalando in Europe, Lamoda (Rocket Internet) in Russia, Souq.com in the United Arab Emirates or Tmall in China. "These marketplaces allow us to test a retail offer and to have a very quick feedback on what is popular or not in a given territory," summarized Jeremy Wilson, Commercial Director of Practicology, a retail consultancy company based in London. By setting up these partnerships quickly, it allows retailers to launch on a new market very quickly, finding growth drivers and selling off product stocks".

Key Figures

E-commerce now accounts for:

- **45%** of China's retail (eMarketer, 2020 data)
- **28%** of UK's retail (Office for National Statistics, 2020 data)
- **8%** of Italy's retail (Osservatorio e-commerce B2B, october 2020)
- **8%** of retail in the Middle East (Kearney, 2020 data)
- **17%** of global retail (Group M, 2020 data)

Interview

Jacadi. "Operating in less countries but supporting them better"

Interview with Vincent Delmarre, International Partners Director, Jacadi.

Jacadi is active in 40 countries. How did you get through 2020?

V.D.: Overall, the children's ready-to-wear market is doing much better than the adult fashion market. Jacadi has not seen growth in 2020 but has limited the fall, experienced by the fashion market in general, thanks to our international business. The dynamics have been very different by zones. Whilst Europe has been badly affected, Asia and the Gulf have recovered more quickly. The situation remains complicated in America. Some countries or zones have been growing, such as Maghreb (Morocco), Cyprus or the French overseas departments and territories like Reunion Island. These customers used to buy Jacadi's collections when traveling to France, but they now spend locally because of Covid-19 travel restrictions.

Internationally, is Jacadi's strategy to expand or downsize?

V.D.: In 2020, we managed to guarantee our openings with more than 10 new stores. The results are positive. We have also opened in 3 new countries - Romania, Serbia and Uzbekistan - and are about to open in Algeria. In 2021, for the first time, Jacadi will make more sales abroad than in our French domestic market. We always balance risks and opportunities. International business is a way to re-balance risks and find new opportunities, depending on the area. Our idea is not to plant a flag in every territory, but to focus on a few key countries. In a way, we want to approach less countries but to support them better, in order to quickly achieve the maximum potential from each one.

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EFFICIENCY

How retailers & brands deal with cost optimisation & profit factors

Stores with new and different roles. With retailers offering new services such as ship from store, click & collect, e-reservation or distance selling via video or text messages, physical stores remain at the very heart of the war machine. As a result, new profitability thresholds and a new generation of K.P.I.s must define profitable store operations. According to Alexis de Seze, Secretary General of the ID Kids Group, "The question now is: what are the roles of my store? It's not just an I.T. or e-commerce issue. We believe that there is a very complex subject to seamlessly integrate the triptych of delivery, stock reliability and seamless I.T.". The role of the store triggers many questions. Should retailers over-stock stores to use them as warehouses? How should they operate returns of online orders? How can they optimise delivery times and costs? If an online order is incomplete, should the salesperson call another store to find a substitute product? Should the I.T. system automatically reallocate the sale to another store to fully match an online order? When is the customer told that an order is incomplete? And so on.

Optimising IT costs and Total cost of ownership. For retailers, this is a major issue. This was the case for a specialty retailer, we've been working with, operating stores in Europe and in the U.S.A. "They decided that all their American shops would be connected to the European I.S (Information System) environment, in order to reduce costs and have a single system worldwide," said Sylvain Jauze, Director of WW Sales & International Operations at Cegid. Retailers want to be more efficient via global standardised information systems. In the past, they allowed subsidiaries to choose their own local solutions. Head office realised they lost control and visibility over sales, inventory and customers. Today, in the vast majority of cases, retailers are asking for a single global solution, which is agnostic in terms of integration and operating system. They are also asking for more openness, composability and total transparency for the parent company".

Internationally, the issue of I.S. financing is taking a different direction. Until recently, many retailers had difficulty convincing their franchisees to launch into e-commerce because of the high costs. "Our franchisees are family-run structures in most countries. It's rare that they have more than 3 stores," added Vincent Delmarre of Jacadi. "Out of our 30 international franchise partners, only 3 had an e-commerce solution in 2020. In 2021, it will be 100%". As many retailers offer a common online platform that guarantees the brand image, the challenge is to operate with and support partners, and that can be a less profitable investment than opening a new store.

Compliance & Localisation of Information Systems

"Retailers operating on several continents are confronted with a large number of specificities in each country, regarding taxation, payment, data protection & residency, local marketplaces and retail practices," said Emmanuel Costa, Senior Product Manager at Cegid. For a retailer, this entails an array of challenges. In China, for instance, there is a new regulation stating that all transactional and critical data must be hosted in China. As a consequence, we have opened a new datacentre - Cloud Point Of Delivery in China. The Cegid Retail solution is compliant with local specificities in 69 countries, and guarantees full and automatic updates".

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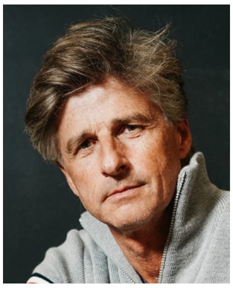
INTERVIEW

Fusalp. "Digital is a tool to be closer to our customers"

With 45 outdoor stores worldwide, Fusalp (sales of €30 million in the fiscal year to May 2020) is conducting an Asian push. An exclusive testimonial.



Alexandre Fauvet
C.E.O. of Fusalp

How do you articulate offline and online globally?
A.F.: France represents 60% of our business. It's our biggest market, regarding both physical and online businesses. The average online ticket lies around €350. However, international markets are playing a growing role. Fusalp has been active in the U.K., the U.S.A., Switzerland, Norway, Korea and China. International sales rose by 20% last year. For example, the U.S.A. has become our 2nd largest online market with a very high average ticket of €1,400, even where Fusalp has no physical shops in the U.S.A. with a very small wholesale presence. In Korea, we operate only 3 stores for a population of 50 million, but the dynamics are very strong with sales that doubled last year. At Fusalp, we don't want to be located everywhere. We favour an integrated expansion, with a controlled development and a strict pricing management. In 2020, e-commerce generated 15% of Fusalp's total business with a 50% growth. We operate our own e-commerce site and have partnerships with pure players such as Net-a-porter, Matchesfashion, Mytheresa, Moda Operandi and soon Tmall Luxury Pavilion in China.

How is omnichannel transforming your stores?
A.F.: To date, e-commerce is operated from our warehouse in Annecy, in the French Alps, but I am a true believer in click & collect and ship from store services. To me, it doesn't make sense to ship products from the French Alps to the end of the world. Online orders must be served by the store closest to the customer. But in order to do this, you need well laid out stores with extra space. We are targeting 150 sq.m stores in the Gross Leasing Area, with 100 sq.m for sales and 50 sq.m for storage. This is really the right format for us regarding our turnover objectives. It allows us to take full advantage of e-commerce.

What are Fusalp's international best practices?
A.F.: We are seeing that physical and human aspects are increasingly entering e-commerce. Many people are obsessed with digital, but we have to understand that digital is only a tool in order to be more efficient and productive, and above all to be closer to our customers. Thanks to Samsung, South Korea is one of the most advanced countries in the world in terms of mobile and fiber optic equipment. The local teams told me last week that "30% of online transactions are completed on the phone with customers". This "call assisted" sales service will be rolled out in the U.S.A. in a second stage, as it creates a close bond with customers. It also raises barriers that could appear regarding style or material.

Is Fusalp moving towards a store fleet reduction?
A.F.: Yes, we think that fewer shops will be required in a given catchment area. As a retail brand, what makes sense is to find the right mix between online and a physical presence. In China, Fusalp opened three stores in November 2020 in Shanghai, Beijing and Hangzhou, with a very playful and immersive concept. Honestly, I would never have imagined only one year ago that we could open three stores in China without actually going there. But the result is conclusive. China is a real battlefield. It's a demanding and very competitive market. But our schedule is tight. We must be ready for the Beijing Olympics in 2022!

Demanding and committed shoppers

With the Covid-19 health crisis, it is essential to respond to the customer experience in a comprehensive way. "For many years, retailers considered omnichannel as a two-step process of ordering online followed by home delivery," summarised Michel Koch, C.E.O. of Diamart Connect. But today, it goes much further. First of all, after an online order, some customers want to come and pick it up in store in order to check a color, a cut, a material or just to talk to a salesperson. Secondly, it is now necessary for retailers to respond to all purchasing scenarios, as there cannot be a single and identical response to serve all customers. Customers must be able to order via a store's website or via a phone. Every retailer has to offer a delivery service and also click & collect. They should also tailor the in-store experience to different scenarios. For Ikea, the long-path shopping scenario is well established, but when will the Swedish giant propose an express version where customers collect orders without going into a store?"

Contactless customer relations. To deal with the paradox of a contactless customer relationship, retailers must be inventive. At **C&A** fashion brand, the call & collect service launched at the end of November 2020 has been a great success. A customer calls, chooses an item and pays for it via a phone or online. The client comes to a store to try on the item and pick it up," Damien Defforey, Managing Director of C&A France, explained to Global Retail News publication. "The order is picked in the nearest store. This recreates a more human e-commerce, in which shoppers are no longer left alone behind a computer screen. At the C&A headquarters, we set up a call center with 8 staff. We hired telemarketers from our store teams on a voluntary basis". In the **Philippines**, the department stores' chain called SM took the same approach. In April 2020, SM launched "Call to Deliver", a service that connects salespersons with customers, which thus have access to the entire department stores' offering," explained Selvane du Ménil, Managing Director of the International Association of Department Stores. Products are delivered to the customer within a day. This is a different approach than e-commerce, where the products offered are limited. This initiative met such success that within one month, SM permanently rolled it out to all of their 65 stores in the Philippines. Today, "Call to Deliver" represents between 13% and 15% of turnover. The average basket in "Call to Deliver" is twice that of an online basket".

Finally, CSR expectations are becoming more and more important for global shoppers. In Asia, **L'Occitane** chose **Hong Kong** to set up a first sustainable "Mega" ...

CONSUMER SIDE

••• concept store (Make Earth Green Again), dedicated to the reduction of plastic waste. Located in the Pacific Place shopping center, customers are invited to deposit used empty bottles of beauty products from any brand. L'Occitane signed a partnership with the A Plastic Ocean Foundation to recycle plastic collected and offers a loyalty program to reward recycling.

Sustainable initiatives are also on the rise at **Gucci** (Italy), **Harrods**, **Dunhill** and **Mulberry** in the U.K. or **Bash** and **Veepee** in France. According to Kantar, between September 2019 and September 2020, 29% of French consumers bought second-hand clothes, shoes or accessories. This represents a 10% rise from 2018. In New York, the fashion designer Jennifer Stucko operating the sustainable luxury footwear brand **Prota Fiori** uses materials made from fruit skins (apples, grapes, etc.) to replace leather. This type of RSE initiative is already a proven success in Brazil for the highly dynamic **Cariuma**. This footwear trendy brand manufactures sneakers from sugar cane and bamboo materials. In France, La Redoute is rolling out "La Reboucle", a platform for private individuals to exchange second-hand products (fashion and decoration). In terms of rewards, customers can choose to be paid in cash or to receive a gift card with a 25% match for each item sold. In retail, are these the next and not the least frontiers for C.R.M? How can retailers identify second-hand buyers and integrate them into loyalty schemes?.

Conclusion

New Retail 2.1

Michel Koch

In 2021, international retail goes together with omnichannel and digital. Indeed, this "new retail" is a unique opportunity to test foreign markets at lower costs or to balance risks within a sluggish domestic market. Combined with physical stores and agile information systems, digital and mobile are essential to serve a customer in demand for a free yet personalised relationship: one day close, the next distant.

In the future, it is this very ability of retailers to make radical choices that will guarantee success. Rather than moaning about the challenges, I chose to celebrate those who are daring to expand internationally. These bet on dynamic consumer territories, test, learn and innovate. Those who know how to respond to customer demand wherever they find it, despite a global Covid-19 crises and other unforeseeable events. Raise a glass to those who engage in earning a personalised and lasting customer relationship, cemented by shared values.

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