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GETAWAY FROM SPORTS

A major Russian apparel player Sela goes in for rebranding with not only collection style to undergo crucial changes but the whole store interior design. The new style is characterized by the company itself as a pathetic notion of “romantic neoclassic” which must mean something of a shift from sports aesthetics to casualwear. Sela has a case for such actions lying in “timely changes and targeting a more fashionable audience” accompanied by lower proportion of sportswear in companies’ turnover.

Actually, if sportswear made up to 26% for female and 67% for male

sales in 2003-2005 in Russia today it’s only 14 and 24% respectively. This is mostly due to Russian customers moving away from conventional consumption pattern of appearing in sportswear in casual everyday life. Main sports aesthetics lovers today are mostly purely sportswear buyers – fans of Reebok, Nike and Adidas – or, on the other side of the spectrum – those purchasing fakes of the same brands at the open air markets. The rest have already opted for comfort casual and activewear groups, so Sela’s offer has naturally become less appealing. In view of the competitive background the

rebranding decision is in fact a timely measure, we could even call it an ahead-of-the-curve, which could leave Sela with an edge over major Russian retailers in the sphere – and these are, above all, Tvoe and Gloria Jeans. Besides, it could also attract additional groups of customers not targeted before – not only youngsters wearing casual neoclassic style but also older age groups of the same price range.

Experts estimate it could cost 1.5-2 mln. USD to rebrand and re-furnish 15 stores a year (bearing in mind one Sela store costs 300 000 USD on the average and rebrand-

ing will not cover all the expenses leaving out POS equipment, cashiers and rent). If we add Sela openings to this we could come to a sound figure of 10 mln. USD. Esper Group experts estimate the company’s turnover at 617.8 mln. dollars, with rebranding costs thus accounting for 1.5% of sales. It’s by all means a thoughtful approach to plan a rebranding which is likely no only to pay the costs back rapidly but also offset and more in terms of new target audience won by the brand and entering a new quality-high consumer level.

NEWS



A new shopping centre Forum with a total surface of 17 000 sq. m. was opened in Serbia in the Niche City on March 31, 2011.

Forum shopping centre features 80 apparel, footwear and electronics brands on four floors. Investment into the mall built in place

of the department store Pionir located in the walking zone of the city made up to 25 mln. euros. Fashion Company is in charge of development of the projects with medium and mass market brand representation such as Miss Sixty, Guess, Replay being its major activity in Serbia, Macedonia, Montenegro and Romania.

Another anchor leaseholder of the centre is New Yorker occupying the best and the biggest location. It's to notice that the brand has been expanding rapidly in Eastern Europe and CIS recently. It plans to launch a store in Ukraine within a month. Average price positioning of the brand

in Serbia is 28.15 euros which is 20% lower than in Russia and is mostly due to demand pricing strategy factors.

Another key leaseholder is a German footwear brand Deichmann known for its aggressive expansion policy. The first store in the country will be opened in Forum Shopping centre. Average prices for men's shoes in Deichmann are 20-40 euros, for women's shoes – 20 euros. By the way Deichmann also plans to enter the Ukrainian market. Russia does not host this brand but there is a similar of its development model – retail chain "Peshehod" owned by Obuv Rossii.

RENAISSANCE

The Ukrainian government has seriously fallen for light industry in the country. Five economic directions are to be modernized within two coming years and textile industry is among them. Moreover, new Tax Code came into force on April 1, 2011 and light industry enterprises got a 10-year tax break on profits tax, except for companies operating on raw materials supplied by the customers which are to get tax breaks only till 2012. However, the latter are also in favourable environment especially bearing in mind the existing export scheme.

The country is becoming more and more promising in terms of production placement. 90% of sewing factories – and there are more than three hundred in the country – work on raw materials provided by the customer and are export-oriented. The major pros derive not only from cheap labour of high qualification – they lie in the labour market mechanism itself. On the one hand, the labour market in Ukraine is very flexible – rank 18 in the world in hiring and dismissing practices and, what is even more important, rank 26 in the world in pay and productivity rates. And there is more to say on

Product

Textiles
Knitted wear
Footwear

Export min \$

2009	2010
386,2	380,5
85,9	98,5
126,6	154,5

Import min \$

2009	2010
212,1	277,4
148	255,5
251,5	438

taxes. According to the Ukrainian Law "On operations with raw materials supplied by the customer" apparel made of provided raw materials and export-intended is released without any customs duties or payments.

Moreover, the manufacturing potential in Ukraine even at existing production facilities is substantial. Esper Group estimates that in January 2011 compared to the same period 2010 textile industry in the country has experienced 22.1% growth with a decrease by 18.9% compared to December 2010 (which is by the way quite natural in view of lowering business activity trend at the beginning of the year). With volumes for outerwear manufacture still plummeting (-12,5%) underwear increased 28.7% in volumes, hosiery added 19.6%. It reflects a step-by-step recovery of the industry from the

crisis which conventionally started with faster growing segments such as the above-named.

Footwear industry is flourishing just like in Russia. Footwear volumes added 16% in 2010 with 24 mln. pairs manufactured which is 4 mln. pairs more than in 2009, and the real indicator could be much higher as it could also include small business manufacture volumes, 73% still in the grey sector. (Compare: the whole Russian footwear industry provided 92 mln. pairs of shoes in 2010).

The situation is slightly worse with apparel as a whole. Despite the favourable background created the demand for national clothing is still rather low and production outsourcing with raw materials supplied by the customer is much more profitable for exporters than for internal consumption. Moreover, Ukraine in terms of outsourc-

ing textile center has not yet been explored globally and its potential is not fully exploited with Belarus ahead in the waiting line with its competitive price edge in knitted wear.

On the whole the trade balance is positive in textiles, with footwear and knitted wear remaining negative for Ukraine. However the positive trend is evident in the market and tax law changes with ranking the industry as top priority accompanied by higher purchasing capacity outside Kiev meaning regions which are more flexible and even loyal to national apparel manufacturers could all foster Ukraine's positions as a net exporter of footwear and apparel or at the least extent benefit to bridging the gap between exports and imports thanks to further increase in outsourcing proportion in the country's territory.