

STOREFRONTS

WHAT THE TENANTS ARE UP TO

CALIFORNIA'S ORGANIC GROCERY EREWHON IS ADDING STORES
20

MACY'S HOPES ITS NEW STORY CONCEPT WILL BEGIN A NEW CHAPTER
24

Foreign retailers eagerly (if warily) expand in U.S.

By Beth Mattson-Teig

The U.S. continues to draw international retailers eager to find new frontiers for growth. “There is still great interest from international retailers, because the U.S. is one of the most dynamic retail markets in the world,” said Garrick Brown, head of retail research for the Americas at Cushman & Wakefield. But retailers are exercising “extreme caution,” owing to competitive pressures in the marketplace, he says. Foreign firms find the buying power in the U.S. appealing, but they are wary of such challenges as shifting demographics, competition from e-commerce, and a market that some consider to be over-retailed.

“You are going to see more international brands coming to the U.S. for a variety of reasons,” said Brandon Famous, senior managing director of CBRE’s retail advisory and transaction services in the Americas. One reason for confidence among these retailers is that they have a superior understanding of what lies in store for them here. “As data and analytics become even more prominent in analyzing markets globally, retailers have a better sense of their customer profile — who their customer is and where they want to locate,” said Famous. They combine this with online shopping data that allow them to pinpoint where their customers are located, he says.

Sporting-goods, sportswear and

cosmetics retailers have shown particular interest in the U.S. Sporting-goods stores here generate some \$49 billion in annual revenues, while beauty, cosmetics and fragrance stores generate about \$23 billion, according to IBISWorld. U.K.-based JD Sports Fashion made a big move into the U.S. through its \$558 million acquisition of Finish Line. On the beauty side, Canada-based MAC Cosmetics is adding stores in the U.S., and so are such newcomers as Aesop (Australia), Caudalie (France) and Innisfree (South Korea).

Luxury retailers are continuing to push into the U.S. The sector is expected to get an added boost from new U.S. tax changes, which provide tax breaks for the rich.

Traditionally, retailers would enter the U.S. with a flagship store in a gateway market, such as New York City, Miami, or San Francisco. But retailers are weighing lower-cost options for that flagship store, such as Union Square, in San Francisco, where top rents run about \$600 per square foot annually for small-shop space, as opposed to paying about \$2,200 per foot on New York City’s Fifth Avenue.

In the past, retailers would come in and spend a ton of money to open a big flagship and attract a lot of attention, observes Famous. “You don’t necessarily need that anymore, because

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they have the online experience,” he said. Now, international brands are entering expensive markets such as New York City with pop-up stores. “If the store is successful, there is a good chance they will turn it into a full-time brick-and-mortar store,” he said.

Most companies are not coming in with any aggressive strategy to roll out hundreds of stores, but are instead dipping a toe in the water to test things out, Famous says. Following are some recent arrivals.

Showcase

● Canada’s Showcase plans to launch its U.S. expansion this summer, with a goal of rolling out 100 stores by 2020. This retailer specializes in selling products related to the latest trends in health, beauty, household items and toys. The merchandise ranges



Showcase plans 100 U.S. stores by 2020, and Primark has announced eight more. Innisfree (right and far right) specializes in natural cosmetics and skin-care products. A portable bluetooth speaker from Miniso (bottom)



from mainstream items to wacky ones — such as air fryers, Himalayan salt lamps and magnetic eyelashes.

Primark

● Since opening its first U.S. store, in Boston, in 2015, the company has grown to eight in the Northeast. Eight more are set to open over the next 12 to 24 months. Primark is a large-space user that has been targeting mall locations. “They might be someone to really watch as we see more and more department stores close and malls look at what to do with that real estate,” said Brown.

Bershka

● Bershka marked its U.S. debut last October with an 8,200-square-foot pop-up store in New York City’s SoHo neighborhood. Bershka sells fashion-forward apparel for teens, as well as shoes and such accessories as backpacks and purses. Bershka is owned by Inditex Group, the Spanish apparel company that has opened about 90 Zara stores in the U.S. Though there has been some speculation that Bershka could move ahead to open perma-

nent stores here, the company has made no announcements.

Bershka, launched some 20 years ago, now operates 1,100 stores across 75 markets in Europe, Asia and the Americas.

Innisfree

● South Korean cosmetics and skin-care company Innisfree opened its first flagship store in New York City last September, in Union Square. The company sells a line of sustainable and natural products. Since Innisfree’s 2000 launch, the company has opened some 1,600 stores in Asia.

We will focus the next 18 months on establishing our store presence in New York City, with ambitious expansion plans for the rest of the country to follow,” said Julien Bouzitat, vice president and general manager of Innisfree USA.

Decathlon

● French sporting-goods retailer Decathlon opened its first U.S. store last fall in San Francisco. The company is looking to open two or three more

over the next 18 months. Since its debut in Lille, France, in 1976, the company has

expanded its global footprint to 1,100 stores across 38 countries. Decathlon has also opened stores in other international gateway markets, among them Bogotá, Colombia; Mexico City; and Québec City. The stores carry a range of sports apparel and equipment.

Miniso

● Chinese discount retailer Miniso has been making a splash in Canada, with plans to open 100 stores there by the end of 2018 and 500 within three years. The retailer also entered the U.S. last year, with a store in Pasadena, Calif. Miniso sells products designed and made mainly in China, Japan, Malaysia, Singapore and South Korea. The merchandise includes household items, gifts, cosmetics and more. Miniso has made no announcements regarding U.S. expansion plans. It operates some 2,600 stores globally and has said that it aims for about 6,000 by 2020. ■