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# FINANCIAL TIMES

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## HOW TO SPEND IT

# Pile 'em low

Outlet shopping may not be your idea of a life-enhancing experience, but it does get rid of surplus frocks. An American in Europe is proving that's a good thing. Holly Finn reports

The Harvard Design School Guide to Shopping, an 800-pager on American consumerism and its meaning, hits coffee tables this March. Even with its spine uncracked, the tome, based on thesis research overseen at Harvard by hyper-hip Dutch architect Rem Koolhaas, makes a point. Shopping's no longer just for airheads.

But Scott Malkin, a Harvard graduate himself, could have told you that. Chairman of Value Retail, the company that brought highest-end outlet shopping to the UK and Europe, Malkin blew into town a decade ago, armed with a point-blank mantra: "No one's perfect, and there's always surplus stock." This was news that had eluded the headlines in luxury land, Europe. Eyes popped.

A wily retail pioneer, Malkin rightly predicted that slickly managed, luxury-branded, discount outlet shopping centres could succeed in Europe – without a McDonald's in sight. Who knew? Who cared?

Only a few years ago in Europe, surplus stock was something luxury brands hid, shipped to the third world, even burned. Those who sold it, overtly, were considered déclassé. "We had dinner with Nicholas Coleridge [managing director of Condé Nast] right here, and he was hiding in the corner," says Malkin, at Le Caprice, the favourite lunchspot of London media luvvies.

If Coleridge himself doesn't frequent Value Retail's UK centre, Bicester Village, the sorts of women who feature in and read his magazines – titles such as *Tatler* and *Vogue* – now do. They make the trip once a year on average, expecting to shell out between £500 and £1,000, but, after four to six hours of sauntering about, leave £3,000-£4,000 lighter.

These maggots are on to something more than a bargain. The European expansion of outlet centres in general, and of Value Retail in specific, reflects a shift in the attitude of and towards the fashion business.

Transparency is in. The euro is, of course, stepping up demand for visible price parity, but it goes beyond that. Over the past decade, as smaller brands have been gobbled up by the biggies – publicly traded companies such as LVMH, Gucci, Richemont – the industry has become more see-through. Computerised stock-management systems, starting with Epos, introduced in the early 1990s, have helped force

companies to deal with their surplus in, as Malkin puts it, "a sophisticated way". Now, someone will know if you try to brush those 300 unsold winter coats under the rug.

"Efficiency requires our existence. People can't hide and pretend any more," says Malkin, 43, whose company takes a percentage of VAT-exclusive sales at each location (12.5 per cent net, plus expenses in Britain). Estimated sales this year, at the five centres already open, are £200m, up from £140m last year, when fewer were fully operational.

"What makes sense for the brand, makes sense for the consumer," he says. A report for the British Retail Consortium by London Economics in July 2000 seems to back him up. It found that "consumers saved around £17.6bn due to efficiency gains by the retailing sector in 1999 compared to gains of £2.5bn for retailers". Those gains – lapped up not just by those who brave the outlets – are attributable to many things; streamlined stock management is one of them.

Unlike in the US, where the outlet shopping market has reached saturation, in Europe it only began growing in the past 10 years. There have long been smatterings of ungrouped outlets, and individual textile mill shops have sold surplus stock "from time immemorial",

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says Malkin. But that's a "crude environment, a cardboard box at the end of the assembly line. We relocated it, and reinvented it as a legitimate destination."

Value Retail's idea is not novel; its execution is. The clothes on sale, at deep discount, are not purpose-manufactured for the low-end, as in some outlets. "We will never accept a design made specifically as product for an outlet," says Desirée Bollier, chief executive of Value Retail. And the look of the



The discount dream: sketch of Value Retail's Fidenza Village, outside Milan. And, below, the reality: Las Rozas Village, outside Madrid

"villages" is swish.

In 1990, Malkin, the son of one of New York's biggest property developers, developed Two Rodeo Drive, a film-settish luxury shopping boulevard in Beverly Hills. That's the concept he has translated, and is exporting, in outlet form, to England, Spain, France, Belgium, Germany and Italy. "It's what I call cultural arbitrage," he says.

The architects of the Beverly Hills scheme still design for Malkin. Like script writers, "they want a backstory", he says. Fidenza Village, outside Milan, "was all built around Verdi, with operatic references". Las Rozas Village, outside Madrid, was envisaged as a rambling prince's palace.

La Vallée outside Paris is part of Disneyland Paris. Maasmechelen Village, between Brussels and Düsseldorf, is part of a mine-reclamation site. "Now you go in, it's pastoral. It's green. There's a river," Malkin is something of a dreamer (as Gian Luigi Longinotti-Buitoni calls it in his book *Selling Dreams: How To Make Any Product Irresistible*).

He pulls out a Bic pen and a Tiffany pen, to illustrate the difference between mass market and its opposite. He talks about Bicester Village, Le Caprice and the Rhinelander Mansion in New York in the same breath, equating their stature. He orders Baked Alaska for



dessert, which the waiter dramatically drizzles with kirsch and sets alight. "It's this kind of experience," he says with one hand, "or this kind of experience. It's binary."

Cooking up the kirsch-soaked Baked Alaska of outlet centres is not always easy. A planned £20m, 8,000sq metre Value Retail centre in County Kildare, Ireland, was refused planning permission, apparently because of inadequate road access. "They are monolithic, centrist environments, these countries. If someone wants to kill you, they can, whether it's Marks and Spencer or El Corte Inglés [the Spanish

department store]."

There is often grassroots opposition, too, from local retailers feeling the squeeze, local activists protecting their turf. But research in 1998 by Colliers Erdman Lewis in the UK, asking whether outlet centres were sapping economic juice from the local market, reported that 81 per cent of respondents saw "the neighbouring outlet centre as either increasing trade for them or having no noticeable effect".

It helps that Value Retail keeps an intentionally lower profile than the centres themselves, which generally have 2.5m-3m visitors each a year. "It's the name that means nothing, that nobody hears," says Malkin – and it will remain so as the company continues to expand in countries such as Germany. "Metzingen is the Freeport, Maine, of Europe," says Malkin. "They get it."

Soon, Value Retail will have a presence in all the markets it wants, and Malkin is considering a return to the pure form. Two Rodeo Drive, retail model: the upmarket urban shopping development. Is he forever scouring city streets for potential sites? No, says the father of four girls, not entirely convincingly, he's forever repeating: "My job is to make women happy." Koolhaas and the gang may want to make the socio-science of shopping more opaque than that, but, in the end, it's not.

## INFORMATION

■ In the UK: Bicester Village, 50 Pingle Drive, Bicester, Oxfordshire (01869-323 200); in France: La Vallée Shopping Village, 3 Cours de la Garonne, 77700 Serris (+33 1-60 42 35 00); in Spain: La Roca Company Stores, Santa Agns de Malanyanes, 08430 La Roca del Valls (+34 93-842 3939) and Las Rozas Village, C/Juan Ramón Jiménez 3, 28230 Las Rozas, Madrid (+34 91-640 4900); in Belgium: Maasmechelen Village, Zetellaan 100, 3630 Maasmechelen (+32 8-977 40 00).



