

An aerial view of the Shanghai skyline, featuring the Oriental Pearl Tower and numerous skyscrapers, with a light blue and white sky overlay.

mogul&nabab

International Expansion

Shanghai – Hong Kong – Dubai - Lyon

“APAC expansion for kids wear” Business Case

Context & company info

French SME specialized in **kidswear** for over 50 years, looking for strategic growth drivers to sustain its global expansion, key deintified markets, being the « **Export Markets** », per se:

- US
- Eastern Europe & Russia
- Middle East
- Australia
- Asia

This French SME has 2 key divisions: **Licensing & Own brands** with luxury & premium market positioning, strategic development must be done on private labels, and **more specifically in Asia Pacific** via key partnerships and adequate business models / approaches per country & per brand.

Agenda

- **Synopsis**
- **Pre-requisites for an efficient APAC expansion**
- **APAC road map & deliverables**
- **Focus on 3 key countries: China / South Korea & Indonesia**
- **Conclusion**

Synopsis

- ❑ Asia is a **vast continent** with numerous countries showing high potential of growth
- ❑ **Heterogeneous** climates (Cold / Hot / Continental) and cultures
- ❑ **Key Asian countries:**
 - China
 - Hong Kong
 - Japan
 - South Korea
 - Taiwan
- ❑ Key channel of distribution: **Department stores**, concentrating 80% of the sales
- ❑ **Promising countries:**
 - **Indonesia**
 - **Malaysia / Philippines**
- ❑ **Australia** managed in direct via **subsidiary**
- ❑ **India** via distributors or **JV** being the preferred options
- ❑ Countries not mature yet: Vietnam / Cambodia / Pakistan / Nepal / Sri Lanka / etc...

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Pre-requisites for an efficient APAC expansion

- ❑ Comprehensive local market survey with detailed analysis of key competitors, local & western competitors
- ❑ Who are the key players / distributors (not limited to kids wear)
- ❑ Price positioning analysis of key competitors and local references
- ❑ What should be the local price point taking into consideration:
 - Product shipped from Europe or Asia
 - Logistics & customs cost
 - Partner margin
 - Your margin
 - Competitors price positioning
 - Price point vs Europe, equal or 20% to 30% higher
 - Adult price for the same brand for instance: 40% to 50% of the same adult item

- ❑ Is the collection appropriate for each type of region « Hot » / « Cold » / « Continental »
- ❑ Do the collections have sufficient number of references / colors, key requirement for Dept Stores
- ❑ Are the collections well balanced:
 - Split between Boy & Girl
 - Number of top vs bottoms
 - Accessories
 - Gift boxes
 - Bright colors
 - Children friendly fabrics
- ❑ PR / Communication / Regular events are key to generate buzz and develop notoriety, “A MUST DO”

Agenda

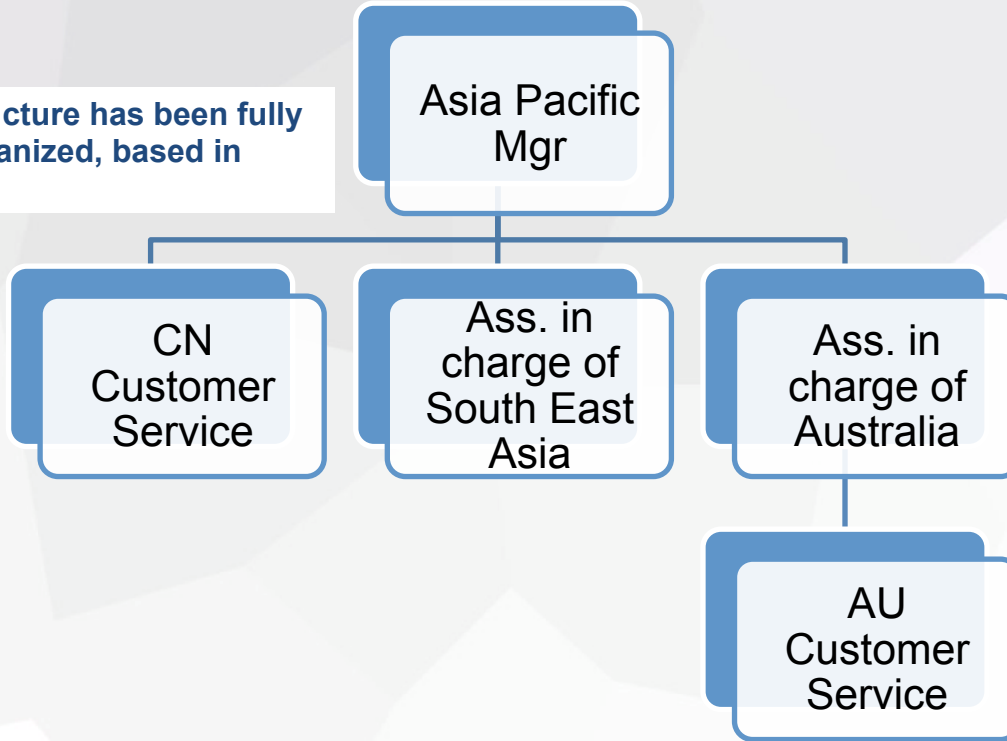
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Asia Pacific road map

- 1. Local Asia team to build up with a showroom in Shanghai to support development in a high potential region:**
 1. Recruitment of a customer service personnel in June 2014
 2. Set up of the Shanghai showroom in July 2014
 3. Recruitment of a Business Developer focused on South East Asia in April 2014
- 2. Reorganization of the Australia subsidiary:**
 1. Recruit new Area manager
 2. Set up of a new showroom
 3. Change of local partner and in house customer service
 4. Focus on development via exhibition and in depth prospection
- 3. Solid understanding of the APAC countries and the key distribution channels with a specific focus on China (high growth potential), South Korea & Japan**
- 4. Clear identification & selection of the key department stores in major cities**
- 5. Get closer to market requests, pay specific attention to local requirements**

Asia Pacific reorganization & staffing

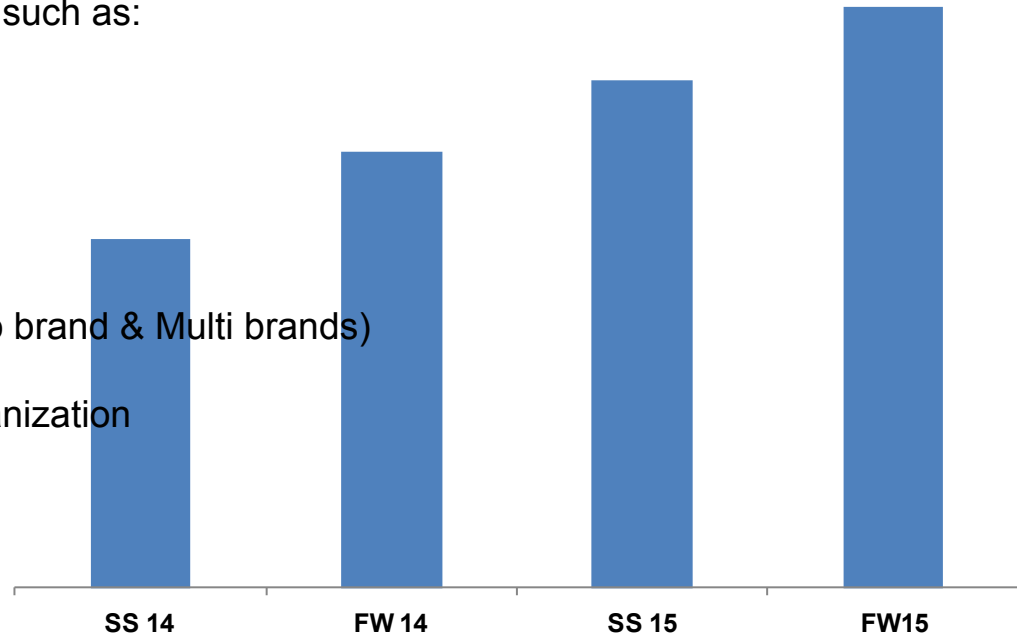
Local Asian structure has been fully created and organized, based in Shanghai



Sales figure in Asia Pacific

Solid and constant increase in APAC via:

- Strengthening current key partnerships: China / HK, key growth drivers
- Successful development in key countries such as:
 - ✓ South Korea
 - ✓ Indonesia
 - ✓ Taiwan
- Up to date: 150 doors in Asia
- + 65 new doors in 2014 (combining Mono brand & Multi brands)
- Boosting Australia with a new robust organization



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Focus on China



Key distribution channels:

- A. Department stores / Shopping malls (80% of total sales)
- B. Retail via CWF concept
- C. E-commerce (fast growing)
- D. Travel retail



Capital	Beijing
Population	1.35 billion
GDP/capita	US\$6,075
Growth rate	9%
Currency	Renmibi or Yuan
Euro / Rmb	7.3769

Approach for our private labels via JV required:

- Brand awareness of our private labels
- Retail concept newly finalized
- Collection remaining under development

Focus on South Korea



Key distribution channels:

- A. Department stores (90% of total sales in Seoul)
- B. Retail via CWF concept
- C. Internet & Internet mobile
- D. Travel retail

Capital	Seoul
Population	50 millions
GDP/capita	US\$33,156
Growth rate	6.2%
Currency	Won
Euro / Won	1,245



Approach:

- Brand awareness of our private labels
- Regain confidence of the DS on licensed brands
- Find key partners, either local distributors of dept store

South Korea, key department stores amounting to 77 per key cities & provinces, being mainly: Shinsegae / Lotte / Hyundai / Galleria / AK



Location	Shinsegae dept stores	Lotte dept stores	Hyundai dept stores	Galleria	Premium outlets	Others
Seoul	Shinsegae Main Shinsegae Gangnam Shinsegae Young DP Shinsegae Mia	Lotte Main Lotte Chamsil Lotte Gangnam Lotte Young DP Lotte Nowon Lotte Kwanak Lotte Cheongrangi Lotte Mia Lotte Kundaecity Lotte Kimpo	Hyundai Main Hyundai Coex Hyundai Mokdong Hyundai Shinchon Hyundai Cheonho Hyundai Mia	Galleria Abgujeong Galleria Concos		AK Guro
Gyeong-gi province	Shinsegae Incheon Shinsegae Kyungki Shinsegae Uijeongbu Union square (2016)	Lotte Bundang Lotte Bupyung Lotte Ilsan Lotte Ahnyang Lotte Incheon Lotte Guri Lotte Ansan Lotte Chungdong	Hyundai Bupyung Hyundai Kintex Hyundai Pangyo (2015)	Galleria Suwon	Pa-Ju (Shinsegae) Pa-Ju (Lotte) Yeo-Ju (Shinsegae) Incheon (Lotte)	AK Bundang Plaza AK Suwon AK Pyungtaek
	Shinsegae Centum	Lotte Busan Main Lotte Dongrae Lotte Kwangbok Lotte Centum city	Hyundai Busan	None	Gijang (Shinsegae)	
Gyeong-sang province	Shinsegae Masan	Lotte Daegu Lotte Sangin (Daegu) Lotte Ulsan Lotte Pohang Lotte Changwon	Hyundai Ulsan Hyundai Donggu (Ulsan) Hyundai Daegu	Galleria Jinju	Gimhae (Lotte)	Debec Plaza
Jeon-ra province	Shinsegae Kwangju	Lotte Kwangju Lotte Jeonju	Hyundai Kwangju	None		
Chung cheong province	Shinsegae Chungcheong	Lotte Daejeon	Hyundai Cheongju	Time World (Daejeon) Galleria Cheonan Galleria Dongbaek	Buyeo (Lotte)	AK Wonju
Total	12	30	15	7	7	6

Focus on Indonesia



Key distribution channels:

- A. Department stores / Shopping malls
- B. Retail via CWF concept
- C. Internet

Capital	Jakarta
Population	252,000,000
GDP/capita	\$3592
Growth rate	6.2%
Currency	Rupiah (IDR)
Euro / IDR	14,565



- 250 millions inhabitants, 27% of population under 14 years old
- Growing retail development
- Increase of average wages and apparition of a middle class
- 45 millions of Indonesian belong to the population 'who buy' luxury goods

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Conclusion

- A great diversity of countries with different level of maturity, sizes, purchasing power and social structure
- An area generally very sensitive & attracted by international brands (except Australia and Japan)
- Variety of channels of distribution from one country to another
- Approach & “business models” for Japan, China, India; requiring JV, subsidiary or licensing model
- Overpricing generated by an “European oriented” supply Chain with Asia production (70% produced in Asia and consolidated in Europe -> ship back to Asia)
- Customized approach required in order to suit local demand in term of: fitting, collection, early deliveries and price positioning