

# Fast-fashion retailers see opportunity

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With the entrance of British fast-fashion chain Topshop into SA, the local clothing sector could count on a proliferation of new brands coming into the market, meaning more competition, lower prices and narrower margins, an analyst said yesterday.

Topshop joins a slew of British high-street operators looking to emerging markets as growth slows in more mature markets.

Sir Philip Green, the owner of Arcadia Group, which owns Topshop, said the move into SA was another step in its international growth.

Edcon and the House of Busby, which held the Topshop franchise in SA, said the rollout would initially be through stand-alone stores, with the first Topshop and Topman being launched through a 950m<sup>2</sup> flagship store in Sandton City by the end of November. A second store has been confirmed to open in Durban before the end of the year.

Syd Vianello, a Nedgroup Securities analyst, said yesterday the Foschini Group and Truworths were most exposed to the new competition. "Topshop is pitching at that high-fashion, fast-fashion sort of market.

"Because Topshop has entered into a joint venture, they're able to bring their product into the country at what is effectively the same landed cost as a domestic competitor, and to pay import duties on a competitive basis. They can pitch at price points which enable them to compete against local brands," Vianello said.

Kate Ormrod, retail analyst at London's Verdict Research, said other retailers such as Gap, Mango and Zara have also entered SA in the past few years, indicating that other retailers also saw the potential in SA.

The agreement will also see Edgars featuring the Topshop and Topman brands in their stores through the store-in-store concept in the new year.

This format meant Arcadia would be able to take on the big brands more aggressively than if they had gone in on a stand-alone base only, Vianello said.

"The launch of franchise stores and also shop-in-shops reduces the risk of entering new markets and ensures the retailer gains some local market knowledge, as well as enabling expansion at a rapid rate," Ormrod said.

It is unlikely that Topshop will be the last global fashion player to set up shop in SA.

"Zara started it, now comes Topshop, H&M will probably be the next one on the line. Another name that's been mentioned is New Look," Vianello said.

The southern hemisphere does, however, pose distinct challenges, including logistics and the reverse seasonality pattern, Matthew Stych, research director at London's Planet Retail said.

"These factors mean that only the largest and most experienced international groups are likely to be able to gain significant scale in SA. We are expecting H&M to make a move to enter the market soon," Stych said.

Source: *Business Day*

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