

Clothing, footwear and accessories market in Russia increases its value by 5% in 2009

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Despite economic turbulences, the value of the clothing and footwear market in Russia increased after a stagnant 2008, positively influenced by the clothing sector. Nevertheless, the forecasts for the current year are less optimistic and the market is expected to struggle, while a more optimistic scenario is not expected before 2011.

The value of the clothing, footwear and accessories (CFA) market in Russia increased by 5% in 2009, to reach RUB 1,525bn (\$48.1bn), according to the recent report "Clothing and footwear market in Russia 2010," published by PMR, a research and consulting firm. The CFA market appeared relatively resistant to the economic conditions and the main factor behind this growth was an improvement of the clothing segment, which reported a considerable increase of its value in contrast to the drop noted in 2008. However, according to forecasts by PMR, the market value is expected to decrease by over 4% in 2010, influenced by negative development on the footwear market. Apart from the increase in tariffs for imported footwear, the negative impact from the weak economic environment and only slow increase of disposable incomes will continue as one of the factors limiting potential for market growth.

As in the previous years, CFA chains sustained their leading position as the distribution channel, maintaining their share of around a third of the market value. On the other hand, open-air markets increased their share, after years of consecutive downward trends, as they attracted more customers during the more challenging economic times due to lower prices. This was at the cost of independent CFA stores, whose share decreased in comparison to 2008, as, among other things, the owners of such stores lack financial resources for the purchase of new CFA collections.

Struggling market still provides opportunities

Despite the weak economic situation in the country, foreign CFA retailers tend to continue their expansion and increase the level of market penetration. For example, since March 2009, Swedish clothing retailer H&M has opened five stores in the country. A new Japanese clothing retailer, Uniqlo, opened its first store in Moscow in spring 2010. In addition, one of the largest footwear chains in the US, Payless, owned by Collective Brands Inc., also announced its plans for entering Russia in 2010. Nevertheless, the Russian market retains difficulties for foreign companies' expansion. In addition to such difficulties as significant administrative barriers, market non-transparency, weak logistics and poor legislation, the market offers also smaller return on investment in the CFA retailing than in some other emerging markets.

Moreover, the penetration of foreign CFA companies in Russia is partially influenced by the lack of department stores and poor development of multi-brand retailing. The fiercest competitors among foreign operators are represented by retail chains which have established a strong presence in Russia and have gained popularity among Russian consumers. Such chains include Inditex, Mango, Motivi and Sixty Group. These companies are acquiring stores from their franchisees and gradually increasing the number of their own stores.

At the same time, some Russian CFA manufacturers plan to invest in development of their own retail chains as well. Sela, one of the leading retailers on the market, has managed to increase its storecount in Russia, although the company closed some units in other countries and in Russia as well. The other company operating on the market, Gloria Jeans, one of the leading clothing producers in Russia, decided to withdraw from the loss-generating wholesale business and focus on its own store chain. However, worsening economic conditions had a negative impact on the company, which was forced to take some measures in order to reduce costs and postpone its expansion until the financial situation has improved.

This press release is based on information contained in the latest PMR report entitled “Clothing and footwear retail market in Russia 2010. Luxury market insights and development forecasts for 2010-2012”.

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