

Arcadia group

Economics



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Owing to their thriving economies, the world today is viewing Asian markets with a new found awareness and interest. Led by China and India, South East Asian countries are coming into their own, and proving to be attractive destinations for major global retailers to expand their market share. After conducting a strategic analysis of the Arcadia Group, it became clear that in order to maintain its distinctiveness and profitability, the company needs to tap into the opportunities presented by the emerging markets.

The retail industry in the Eurozone is in the mature stages. Arcadia Group already has an exhaustive presence in the UK; its brands are present on virtually every high street and shopping centre in over 2000 stores nationwide. Most of its brands are market leaders in their categories (Arcadia Group. 2010). However with the UK markets now saturated, the question of ‘what next?’ seems to be lurking. The owner of Arcadia Group Sir Philip Green, who some would call a visionary in the field of retail, is most definitely looking eastwards. The economic downturn was a tough wave to ride for most retailers. It is becoming increasingly clear that there are noteworthy differences in the pace and nature of the economic recovery taking place in Europe and Asia. According to a report by CB Richard Ellis, the recovery in the European economy as a whole remained sluggish while the Asian economies reported positive export growth in the first quarter of 2010.

Many retailers are looking to expand into the emerging markets of the region which are seen as having good growth prospects. Retailers showed a greater inclination to commit to new premises for business expansion and an increased leasing activity was recorded in key shopping areas in major cities.

Fast fashion and F&B chains remained the major drivers of demand. (CB Richard Ellis. 2010) Both India and China are increasingly becoming very attractive retail investment destinations. In India global retailers are continuing expansion plans as Indian consumers grow increasingly affluent, brand-conscious and familiar with global retail formats while in China a \$585 billion stimulus package and efforts to boost economic consumption are showing signs of success as retail sales have grown. (A T Kearney. 2009).

Owing to these positive indications, international expansion into these new markets is high on the Arcadia Group's agenda. With the recent highly publicised launch of the flagship store in New York, the expansion plan is aggressively being put into action. Over the next year Arcadia has plans to open up to 50 new stores across the world. (Smith. 2009) The year 2010 will see arcadia group taking its most successful brand Topshop to mainland China, Hongkong and India. An interesting observation is the fact that Arcadia Group has waited relatively longer to make its foray into the Chinese and Indian markets. Unlike, other UK Retailers like Marks and Spencer and Next, which have been present in the Asian markets for more than a decade, without much success. In a clear departure from the 'me too' syndrome, the Arcadia Group has waited for the appropriate time to go ahead with its overseas expansion into these countries.

The plans to expand into Asia have been in the pipeline for quite a few years. Sir Green has been in negotiations to bring Topshop to China since the last few years, with a deal to rent retail space in Shanghai's Superbrand mall almost inked in 2007. But before this deal could be materialised the economic recession gripped the world economy, retail in the UK was

especially hit. Arcadia thus put its expansion plans on hold and used this time to strengthen and consolidate its value chain and concentrated on maintaining its strong brand positioning within the UK. By the year 2009 Arcadia perhaps fared better than most of its competitors as it recorded a recovery of 13% (BBC. 2009). Around the same time it also made a very strategically significant acquisition by taking over the BHS chain of departmental stores.

Thus combining, the necessary functions and skills across the two businesses to further reinforce their place within the industry. Against this background, the time now seems to be appropriate for Arcadia to enter potentially two of the most significant markets of the future. However a clear cut strategy will be vital for Arcadia to make a mark in Asia.