

Victoria's Secret Counting On Women's Rubles

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Accessories, not undies, are the secret in the U.S. retailer's three stores opening in the Moscow area this year. **Igor Tabakov**

U.S. chain Victoria's Secret is poised to take a portion of the \$11.2 billion lingerie and cosmetics market, celebrating its arrival in Russia on Friday with the opening of a store in a Mega Mall on the outskirts of southwestern Moscow.

But despite large photos displaying model Adriana Lima in a bra, the store, decorated in black and pink, is offering only a small selection of panties, tank tops and nighties — while incumbent competitors like Wild Orchid and Tatyana's Secret plan to hold their ground against the famous brand they have grown to respect.

The outlet's focus will be on perfume, body-care products and related items. The international line of Victoria's Secret, called Victoria's Secret Beauty and Accessories, sells very little lingerie and specializes in accessories — which include umbrellas, wallets,

iPad cases and purses that are not for sale via the catalog or in American stores.

The international stores, which measure about 90 square meters each, do not have sufficient space for fitting rooms required for a more extensive lingerie selection, a company spokesperson said in an e-mail.

The Moscow stores are owned and operated by Moneks Trading, an Alshaya Group subsidiary that operates several brands including The Body Shop.

Items will cost about 30 to 40 percent more than in the United States. Lace panties that cost \$11.50 in the United States will cost \$19 in Moscow because of high import taxes and higher price ranges for consumer items, a company representative said.

Victoria's Secret quietly opened a store at the Kapitol Mall on Vernadsky Prospekt earlier in the week and plans to open a third store in November at the Khimki Mega Mall. The company does not have any plans to expand into other regions yet. All the Moscow stores will follow the international model. Victoria's Secret plans to open at least 60 such stores, from Sydney to London, in the upcoming year.

If Muscovites want a wider selection of the brand's lingerie, bathing suits or clothes, they can find it online through the international online store, victoriassecret.com. The brand does not yet have any plans to add more items to its stores in Moscow or open a Russian Internet store.

The brand has a lot of potential in Russia, Finam Holding retail analyst Maxim Klyagin said. With enough investment into the chain's development, Victoria's Secret could take a significant market share. The level of competition is "comfortable," and there are not many specialized lingerie chains on the market, Klyagin said.

Currently the undergarment market in Russia is valued at \$2.6 billion, and the cosmetics and perfume market was worth \$8.6 billion in 2010 and is growing, Klyagin said. In the first half of 2011, sales in the cosmetics and perfume market grew 13 percent, he said.

Renaissance Capital retail analyst Natalya Zagvozdina said one reason for the boom is that Russians now have more purchasing power. Median salaries grew to 23,000 rubles per month (\$740) in 2011, and average income in Moscow is at least double that.

The new entrant has an entrenched competitor.

Wild Orchid, or Dikaya Orkhideya, is Russia's first and best-known upscale lingerie store, founded in 1992, with 82 stores in Moscow, 151 stores in the regions and 24 in Ukraine. The chain addresses different types of shoppers, from economy to high end, and even offers products for men.

The majority of the brand's shoppers are women aged 25 to 30. The idea that men buy lingerie for their women is largely a myth, since they only make up 4 percent of shoppers, Wild Orchid spokeswoman Oksana Donskaya said.

"Victoria's Secret is a strong brand, known not only in the United States, but outside of its borders, including in Russia," Donskaya said.

Other lingerie chains in the country include Russian chain Style Park, with more than 30 locations and an Internet store, French Etam and Italian brand Intimissimi, with 18 stores each.

Underwear and sleepwear brand Women's Secret, owned by St. Petersburg-based Melon Fashion Group, which includes the brand Zarina, has 48 stores in Russia and 14 in Ukraine.

"Our assortment and target audience don't really cross. We focus on cozy and functional home underwear, and Victoria's Secret — on sexy models," a Melon Fashion Group representative told Vedomosti last month.

Tatyana's Secret is a specialty store that caters to women who have needs not covered by mainstream lingerie stores. The Moscow chain of four stores has specially trained sales staff to find underwear for women with very large or very small breasts, plus-size women or women seeking to augment their figure through lingerie.

Owner Tatyana Ukhina founded the business as a small-scale, no-name operation out of her home in 1993. Over the years the business grew, and in the early 2000s, an American consultant suggested that Ukhina name the store Sekret Tatyany.

Ukhina laughed when asked whether the name had any relation to Victoria's Secret.

"We are plastic surgeons without the knives," Ukhina said. "We create the ideal woman. This is Tatyana's secret."

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