

British Retailer M&S Slows Foreign Expansion Amid Russia, China Turmoil

By [The Moscow Times](#)

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Patrick Bousquet-Chavanne, Marks & Spencer's executive director of marketing & international, poses for Reuters outside a M&S store in Brussels, Belgium, Sept.4, 2015.

British retailer Marks & Spencer is slowing its overseas expansion drive amid economic turbulence in priority markets China and Russia, its international boss told Reuters.

Battling tough markets at home, M&S chief executive Marc Bolland set targets in 2014 to open 250 new stores overseas in three years. The aim was to increase international sales by a quarter and push profit up by 40 percent, with China, Russia, India, the Middle East and Western Europe the focus.

Patrick Bousquet-Chavanne, M&S's executive director of marketing and international, told Reuters the firm remained committed to both Russia and China but signaled those overseas targets were now unobtainable, prompting a re-think of the pace of expansion over the short

term.

"The world has shifted, is a different place ... The Syrian situation was very different from what it is today ... Putin had not invaded Ukraine and China was growing at close to 9 percent," the Frenchman said in an interview.

"It's reasonable in that context that you would expect a different outlook on the next three years for the company."

M&S, a 131-year-old stalwart of Britain's shopping streets, has a checkered history abroad. After a humiliating retreat from continental Europe in 2001, it returned to Paris with great fanfare in 2011 and has been rolling out its clothing, homewares and upmarket food to mainland Europe and beyond.

Its "bricks and clicks" strategy is focused on flagship stores in major cities, along with small food outlets and standalone lingerie and beauty concepts, backed by local websites.

But results so far have been underwhelming, with international operating profit dropping 25 percent to £92 million (\$141 million) in the year ended March 2015, compared with a British rise of 8 percent to £670 million.

Pace of Expansion

China's faltering economy means the pace of expansion there could be slower than hoped, with M&S keen to avoid the mistakes of other British retailers, such as Tesco, which grew too quickly in the world's most populous nation.

"The sectors in which we trade are not luxury, so we haven't seen the same dramatic slowdown as some might have. But we have seen some softness in the numbers," Bousquet-Chavanne said.

"We're going to have to be much clearer in terms of when you look at the roll-out or roadmap about where to open stores."

M&S has already re-jigged its China strategy. In March it said it would close five stores in secondary cities in the greater Shanghai area to focus on flagship stores in the largest cities and online, while growing its food business in Hong Kong.

Bousquet-Chavanne, speaking at M&S's new store in Brussels — a 5,000 square meters format, with edited clothing and food ranges, it hopes to export internationally — said M&S still planned to open a flagship store in Beijing in its 2015-16 financial year but gave no commitments beyond that. Guangzhou and Dalian remain on the firm's radar, however.

"We're looking at places which are very much 'tier 1' ... where you have an upper middle class consumer base ... where we will do well even in the context of a slowdown in the economy," he said.

Opportunities

He thinks the Chinese slowdown will, however, create some opportunities for M&S in terms of

access to prime retail space "because some of those who have been overextended might have to retrench over the next couple of years."

Bousquet-Chavanne, a former Estee Lauder executive and a veteran of the international branded consumer goods industry with over 25 years experience, said China was one of the most talked-about issues in M&S's boardroom.

That is despite the firm only having 10 stores in the Shanghai region, 20 in Hong Kong and an online presence, meaning the country represents a small percentage of its overall international estate of more than 500 mainly franchised stores.

"I think it's going to be a slow growth towards full profitability [in China] and creating a consumer base that is sustainable," Bousquet-Chavanne said.

He wants to replicate M&S's success in India, where it has a 49-store joint venture with Reliance Retail, by hooking up with a local Chinese partner.

"I've not put a deadline to it because finding the right partner is not a simple thing. The context of China today makes it probably a slightly more challenging conversation," he said.

Bousquet-Chavanne is also taking a more prudent stance towards Russia, where M&S has 37 stores run by franchise partner Fiba, given the economic slowdown there.

"We had potentially a slightly more aggressive plan that we have parked for the time being," he said, noting five planned store openings had been frozen.

But he is confident M&S will ultimately succeed in Russia.

"We'll come out of this situation with an even stronger position for M&S," he said.

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