PRIMANIA: is Penney's winning the global race?

Primark is fast becoming an international fast fashion sensation, beloved of bloggers and expanding rapidly into new territory. How has this happened and can it last, ask Róisín Burke and Colette Sexton.

Next month, Primark, as Penneys is known outside Ireland, opens its third US store. With several more on the slate, it is showing early signs of succeeding where Marks & Spencer, Tesco and more have failed: conquering America.

And it’s not just across the Atlantic that ‘Primania’, as the passion for the “thrift-luxe” brand is known, is storming along.

In Spain, Primark’s 41 stores turn over €1.7 billion, outflanking local favourite Zara and behemoth H&M in sales. France too, where there are eight stores, is said to be thriving.

Primark is now the place where more British people buy clothes, outstripping Topshop, H&M and others, with a close to 11 per cent stake of the fashion retail market, according to researcher Kantar.

It is continuing its push across Europe, with its first Italian store opening in Milan last month and regular new launches in existing territories.

Since arriving in the US last September, it has added 300,000 square feet of retail space alone. It added one million square feet last year and the target for this financial year is a further 1.5 million. How has this nearly 50-year-old Irish retailer become an international sensation? There are Primark fan sites and Facebook pages and even several fake ‘Primark’ stores trading on its massive popularity in distant territories where it has no presence in Asia and the Middle East. The company has €7 billion sales, more than 300 stores across 11 countries and employs 62,000 people.

It is a star performer for its parent owner, the Weston family-controlled Associated British Foods (ABF), delivering almost 60 per cent of its parent’s operating profits and €888 million in its own right.

There are 166 British stores with more than 32,000 employees. There are 40 stores in Ireland, 19 in Germany, and it has a presence in Austria, the Netherlands, Belgium and Portugal, as well as Spain and France.

But it does face challenges. America is still at an early stage, and Primark’s dependence on bricks and mortar stores rather than any online retail is at odds with the rapid rise of shopping from the sofa. That said, Primark has been meeting its challenges with an inventiveness and creativity that has served it well with its nine million customers to date.

Who is behind Primark?

After decades of leadership by now octogenarian founder Arthur Ryan, Primark has been headed up by former New Look chief operations officer Paul Marchant in more recent years.

Ryan has moved to the chairman role, but is keeping a close eye on everything, according to many accounts. Anecdotes abound of him appearing unannounced in stores in his Columbo-style mac or even, it is claimed, in disguise.

Ryan was once the target of IRA kidnapping aspirations back in the 1980s, at a time when Dunnes Stores boss Ben Dunne was kidnapped and an attempt was made to take Penneys co-founder Galen Weston. Though he attends many Primark launches, he has been known to turn on his heel to avoid media attention. He also kept a security detail for years.

Gregarious, sociable and accessible, according to those who know him, Marchant joined in 2009.

Marchant poached New Look’s menswear buying head to give that department some much-needed rejuvenation with other fresh faces, including British chain Matalan’s buying director John Lyttle, joining as chief operating officer.
Primark is owned by ABF, a food, ingredients and retail group controlled by the Canadian Weston family, a separate branch of which owns Brown Thomas, Arnotts and Selfridges. It is headed up by George Weston.

Another important Primark grandee is Breege O’Donoghue. By far the most public face of the brand, as head of business development and new markets, the 71-year-old travels to almost every international opening clad, of course, in stylish but inexpensive Primark.

The nerve centre

The business has retained its headquarters in the heart of Dublin city, ploughing millions into carrying out a massive modern and edgy overhaul at Mary Street last year. Where buyers reported a rather cramped, Bob Cratchit-like existence in the old offices, now they enjoy a Silicon Valley tech giant-style of environment. Using the architects that designed the headquarters of Coca-Cola and Asos, the home of 600 staff has been transformed, with a light-filled glass atrium space and glass and steel bridges linking the new and old building.

The unimposing 1990s Chapel House office block and the historic early 20th-century listed building from 1905 have been linked and named Arthur Ryan House.

There is a knowledge centre, a gym and workout suite and a photography and design studio.

There are also events to boost staff morale, such as cooking classes, make-up application tutorials, nights out and summer barbecues.

While Dublin is the international headquarters, a large British headquarters in Reading is where some key senior staff are based, including John Lyttle.

Reading has just received planning permission to remodel its offices along similar lines to Dublin.

“Putting millions into chic offices is an indicator of how the retailer and the industry’s needs have evolved,” said one former senior employee. “It critically needs to be attractive to top-calibre international talent and the busy working quarters for buyers and other head office staff were a deterrent.”

Some who work at Primark describe it as a robust but rewarding environment. All say that it is an unprecedented learning experience at the coalface of fast fashion.

Marchant, frequently seen dining in the staff restaurant, is liked and considered approachable. Several years ago, before Primania took flight, Primark called in outside consultants. Bearing Point, which bills itself as a business transformation specialist, looked at every facet of the business, from the stock system to supply chain to ramping up expansion.

It was a new move for a private, internally-focused firm, but that was only the beginning of the retailer’s focus outside itself in pursuit of big international ambitions.

Coming to America

Primark opened its inaugural US store, not in Manhattan, where it struggled to find a big enough space, but in the Irish heartland of Boston in the iconic former Filene’s department store last year. A second store in Pennsylvania followed, another opens next month and up to ten in all are planned imminently.

Next month, a new store opens in Danbury, Connecticut. Also in the summer, one will open in Freehold, New Jersey. There will also be another in East Rutherford, New Jersey, in 2017, two others are planned for Massachusetts, another in Willow Grove Mall in Pennsylvania and one on Staten Island.

Primark also has a massive 670,000 square feet distribution centre in Bethlehem, Pennsylvania.

“Primark has invested a quarter of a billion euro in setting up in the US alone, so this is a ‘go hard or go home’ mission,” said one source who has worked with the business.

It is scouting for more stores along the populated parts of the Interstate 95 corridor, the highway that runs down the east coast of the US.

Primark has signed seven leases with Sears, the venerable American department store name which has been struggling financially, to occupy space in its stores.

It is said by one source to have struck a deal with Californian group Macerich, a shopping mall operator with well-located properties in the midwest, west and east of the country, which could be useful later on.

The prospect of an expanded arrangement or deal with Sears is possible if Primark’s performance stateside is all it is hoped it will be.

ABF’s chief executive George Weston has described trading as “encouraging” at Primark stateside and the reception has been effective on social media, especially among the city’s student population.

Its presence is also said to be scaring rivals such as Forever 21, Target and Walmart, especially with Primark’s legendary keen pricing, an average of $6 per item – 60 per cent less than H&M.

While M&S, Tesco, Laura Ashley, All Saints and more founded in the US, other Europeans among Primark’s peers have succeeded there, such as H&M and Zara.

If, as recently speculated, it has peaked in the British market, America could be its new frontier.

The secrets of its success

Primark’s cadre of buyers have been pivotal in its decade-long evolution from mainly cheap basics to super trendy fashion.

One supplier said that Penneys works at an extremely fast pace to keep up with the latest trends.

“They are always pushing for innovation. They really keep everybody under pressure to keep things exciting. When you go into a meeting, you better have something new to show them.”

Its appetite and capacity for diversification, shown most recently in its latest foray into its own line of make-up, is another winning characteristic.

But actual volume sales are critical. A T-shirt in Primark’s current range sold 13,000 units in five days at seven stores in Ireland in the last week, and that is what the business thrives on. It will sell around a million pairs of socks each day, and 150 million T-shirts a year. It needs volume.

Marchant dislikes the phrase ‘disposable fashion’ - though when jeans cost €13, the moniker is inevitable – since Primark regards its quality as similar to more expensive competitors.

“Primark’s clothes are made in the same factories by the same suppliers as other higher priced labels,” said a former employee. “But an almost non-existent advertising budget, a highly efficient stock and distribution system and low costs mean it can drive down the cost of a fashion top to half that of a high street rival.”

Damian O’Reilly of DIT’s retail school concurs. “Even though it is a value retailer, the quality of product has become incredibly consistent.”

Then there is its low-cost but high-energy online publicity machine. A target core market of 15 to 35-year-olds can be effectively reached through Instagram, Snapchat and other social media engagement that has negligible cost.

Primark also assiduously courts bloggers, stylists and fashion editors, the latter paying particular dividends with recent
It collaborated last year with YouTube star Gabriella Lindley (AKA VelvetghOst) on a homewares range of pastel bedding, gold effect lights, cat motif cushions and mugs at prices starting from just €3. Twenty-one-year-old Lindley’s vlog has close to one million followers.

On the product side again, “laser” stock management plays a huge role, the same former employer source said. If something is working, it can get more of it swiftly from suppliers.

“Within the company, the managers of each of the stores can see what is selling well in other stores,” said O’Reilly. “If they notice something is selling well in another store, they can order it for their store. That competition between managers keeps them on their toes.

“It goes by the fast fashion rule and turns over its stock every eight weeks. This is a draw for regular customers.”

Its new store fitouts have made it highly distinctive. There are comfortable plush seating areas, in-house brow and nail bars, free wifi (great for encouraging Snapchatting and Instagramming), free phone-charge points, coffee shops, indie neon lights and vintage posters.

An apparently highly popular “man crutch” type area where ESPN is streamed was installed in the Boston store.

Store design is led by Peter Franks who worked for Louis Vuitton and TK Maxx and is driving the American store concepts.

Its preference for big fashion cathedrals in busy locations like Boston, Milan and Paris makes the stores destination points, raking in footfall.

“The clothes in the US are slightly larger than the European sizes because on average, Americans are bigger,” O’Reilly said. “However, Primark has not had to increase prices in the US even though there is more material in the products, because of its economies of scale and because it is focusing on states that do not charge VAT on clothing.”

Some 14 per cent of its British sales are to ABI or higher income customers, and it is likely to be around a similar profile in Ireland.

“Cheap fashion used to be in cheap places that looked cheap,” said O’Reilly. “What Primark has done is offered value shopping with quality products at a very low price.”

Off-line, its engagement is canny too. When establishing itself locally, Primark makes a point of embedding itself with the local community. It contacts local organisations – jobs agencies, charities, local authorities and colleges in a charm offensive to help get everyone onsite.

**Weak points**

Like its Irish peer Dunnes Stores, Penneys has lagged on the online retail front. It has an extremely agile and engaging website displaying most of its vast product range, but while Dunnes is putting investment and resources into selling online, Primark contends that online selling is for mid-market and upmarket retailers – and it seems to have a point. Shipping and management of returns is costly, and would, in many cases, wipe out its margin.

A collaboration with Asos to sell through the line portal ended after a trial in 2013.

“We have an online operation – a great website to showcase products and engage customers,” Primark’s spokeswoman said. “We understand the importance of social media. What you are referring to is a transactional operation. For transactions, we know no one can match our combination of great fashion, at great prices, in great shopping environments.”

O’Reilly thinks it is right to stick to bricks and mortar selling. “The prices are so cheap that they couldn’t afford e-commerce. Most companies at the moment are losing money on e-commerce. It just is not worth it for Primark at the moment,” he said.

“E-commerce is a question mark for Primark,” said Rosie Hartman, a consultant at Primark. “It is a transactional operation. For transactions, we know no one can match our combination of great fashion, at great prices, in great shopping environments.”

This explanation was legitimate as the unseasonably warm winter was an industry-wide problem that affected winter stock, said Hartmann.

“The business is not mature in Britain,” Primark said. “There is plenty of scope for expansion. We have opened two stores [Broughton Park, Birmingham Fort] since February alone.

There are a number of store openings planned in Britain, for example, in this financial year at Lancaster and Leicester Fosse Park in August.”

Growth was stronger in continental Europe, where almost half of Primark’s sales come from. With warnings of a recession in Britain’s retail sector, Primark may simply be falling prey to this grim outlook like everyone else, but at least it is looking to new markets like the US to aim to power forward.

“Primark will continue to grow because there are very few companies that can compete with it on pricing,” O’Reilly said.

**After Rana Plaza**

The collapse of Rana Plaza, the Bangladeshi factory that produced clothes for Primark and many other western brands, resulted in the death of 1,100 people in 2013.

Primark has made many moves to atone for what some have argued was lack of oversight by it and other big fashion names in regard to the conditions endured by the staff making their products.

Where some of its competitors declined to help, Primark paid $14 million in aid and compensation to surviving victims of Rana Plaza and says it has a “rigorous” code of procedures and conduct for suppliers and regular factory audits.

Nonetheless, non-governmental organisations operating in China, Bangladesh, India and other countries say that conditions and pay remain poor in many clothing factories supplying the West and even cite confinement or ill-treatment of workers in some cases.

“Primark continues to remember outtings for Primark in Vogue and French Elle.

The drop of less than 1 per cent in sales came against a background of sluggish retail sales among many of its peers, unfavourable dollar exchange rates, and a gloomy retail outlook for 2018. Locally, some divisions disappointed in performance here in Ireland.

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**Peak Primark?**

Primark’s like-for-like sales for the first half of this year experienced their first dip in 12 years and operating profits were down 3 per cent.

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What's in store next at Primark?

Against the background of bad retail conditions in its major British market and the rise and rise of online shopping, Primark does what it always has – it ploughs its own furrow.

Marchant was tranquil about the prospect of a Brexit in one interview, taking the view that any unravelling from Europe would be gradual.

Its new massive meccas of fast fashion are set to crop up in more and more high population urban locations.

In Britain, there is speculation that Primark could cherry-pick BHS stores to add to its still growing presence, if they become available after that retailer’s administration process.

Growth through further Sears lease-holds in the US and through possible local retail chain acquisitions or just lease deals are likely if the US market performs for Primark.

Every company has competitors, and Primark is no exception to that rule. However, it has really carved out a niche now, according to DU’s O’Reilly.

“It’s one of the few Irish retailers that has had international success,” he said.

O’Reilly believes the Sears deal could mean massive growth for the company.

“Even if it doesn’t work, Primark is not going to lose a lot of money because it hasn’t bought physical properties,” he said. “I think the big cities are where its future is, in Europe and in the States.”

Future targets for expansion could include the Westons’ native Canada and there are more available large markets in Europe, such as Germany and Spain, he said.

Eastern Europe and the Nordic countries are as yet untouched by Primania.

To gauge the scale of the vast potential possibilities for Primark, one could make a comparison with gigantic Swedish fast fashion house, H&M.

Primark stores currently number around 300, across 11 territories. That’s roughly where H&M was over 20 years ago. Today, H&M has 4,000 stores in over 60 countries. That’s a fast fashion revolution.

The universal language of bargain-hunting has attracted shoppers in France
Prionis one of the few Irish retailers that has had international success.