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## Inside Kazakhstan's Fashion Market, JW Anderson, Rodarte

In the next instalment of Market GPS, BoF examines Kazakhstan, the undisputed goliath of Central Asia.



*Skyline in Astana, Kazakhstan | Source: Shutterstock*

**ALMATY, Kazakhstan** — Some cities have a pulse so strong you can feel it throbbing from the narrowest of their urban arteries, or in the tremors rising up through the manicured lawns of hill-top mansions perched high above the frenzied nightlife district thumping much further downtown. For the uninitiated, Kazakhstan's commercial capital may still sound like an obscure backwater, but that reputation couldn't be further from the truth. Here, there is a collective sense of stamina, excitement and purpose in the air so palpable that it seems almost churlish to call Almaty a mere boomtown.

This is no Dubai or Las Vegas, built on shifting sands, fly-by-night prospects or an overdose of razzle-dazzle. Make no mistake, Almaty certainly has its gaudy, dodgy, flamboyant side. But it also has an educated, cultured and cosmopolitan in-crowd and many of this city's two million consumers value style with at least a dash of substance. Even in Astana, Kazakhstan's smaller but fast-growing capital some 1000 kilometres to the north — where outlandish and sometimes sublime architecture fills the jaw-dropping skyline — its residents have tastes for clothes that are far less ostentatious than the colossal monuments erected by the country's president.

Kazakhstan is the undisputed goliath of Central Asia. Apart from Uzbekistan's capital Tashkent where a few designer multi-brand stores and a handful of high street shops dot the city to serve local ruling elites, none of the three other former Soviet "stans" offer much immediate opportunity for fashion retailers. The tight-knit, uber-wealthy ruling-family elites from Dushanbe (Tajikistan), Ashgabat (Turkmenistan) and Bishkek (Kyrgyzstan) tend to fly to Dubai or Europe for their shopping,



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although now that Kazakhstan is developing so quickly, some are beginning to take the much shorter flight to Almaty for their spending sprees.

“Tajikistan, Turkmenistan and Kyrgyzstan are poorly developed in comparison with Kazakhstan and [to a lesser extent] Uzbekistan,” says Violeta Mordas, a global research analyst at Euromonitor International, a market intelligence firm. This year, Euromonitor estimates Kazakhstan’s apparel market will be worth \$4.8 billion, while Tajikistan, Turkmenistan and Kyrgyzstan’s apparel markets account for less than \$1 billion combined. Even when you throw in Uzbekistan (with twice as many people as Kazakhstan), these four countries barely amount to half of Kazakhstan’s market size. And in just four years time, Kazakhstan’s apparel market is projected to nearly double.

At the pinnacle of Kazakhstan’s consumer market, the number of high-net-worth individuals (HNWIs) is forecast to increase by 81 percent in the coming decade, according to The 2013 Wealth Report by Knight Frank Research. The number of people with (reported) assets of over \$30 million will reach 244 by 2022. For comparison, this means upstart Kazakhstan will soon have more than one-third as many uber-wealthy citizens as Austria. Meanwhile, Euromonitor estimates that over the past five years, the number of affluent households in Kazakhstan (those with annual disposable incomes of over \$75,000) has already more than doubled from 55,900 in 2007 to 116,800 in 2012.

Thanks to the staggering wealth pouring into the society from Kazakhstan’s oil, gas and mineral deposits, “our country can flaunt its success with luxury goods now, but more and more, consumers here are demonstrating a high level of brand knowledge and appreciation for craftsmanship,” says Aizhan Askat, manager of the Hermès boutique in Almaty which opened in December 2011 on Kabanbai Batyr Street, which forms part of a budding quadrangle of fashion, jewellery and premium brand boutiques huddled in the city centre bordered by Gogol, Furmanov and Bogenbay Batyr Streets.

Askat, who previously headed luxury concierge service Quintessentially’s Kazakhstan office should know a thing or two about her demographic. “Although some wealthy Kazakhstanis are still avid seekers trying to just ‘collect’ luxury labels, others are creating their own individualistic look by mixing brands together. As consumers get more informed about fashion both offline and online — and more sophisticated too — Kazakhstan’s market will soon become more dynamic and complex for [late-arriving brands to] operate in,” she predicts.

Olga Trefilova and Alex Kazakov seem to agree. As the respective publisher and editor-in-chief of Kazakhstan’s successful edition of *Harper’s Bazaar* (established through a local license with Partners Media Group), the pair’s fashion coverage is often more experimental and adventurous than that of the long-established *Harper’s* editions in Europe or the US. Even Trefilova’s choice of dynamic young staff members like society page contributor Danila Okay (who can be seen wearing outfits more creative and style-conscious than many of his peers at *Harper’s* editions based in the world’s major fashion capitals) confirms Almaty’s newfound status as a stylish city in the making.

“People in their 20s and 30s, they have no idea about Soviet times. They are more open to experiment and try new brands. They are less brand-brainwashed; less attached to things and more mobile, compulsive, more global,” explains Aika Jaxybai, an Astana-based designer whose brand Aika Alemi is widely expected to soon break into international markets. “They consume not because things are needed, but because they want to feel associated with a subculture group. They’ve got diverse tastes and more independent preference patterns.... Although their own disposable income can allow them less expensive things, they have a habit of growing up benefiting from their parental wealth which puts their consumer values in contrast with the older consumer group.”

Most Kazakhstani industry observers agree that the appearance of Hermès was a major turning point for the market. “This was the first signal that luxury retail in Kazakhstan could reach a new level... and this year Chanel and Prada are on their way.



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For us, it is a huge breakthrough because it means our consumers do not need to spend as much money outside the country as they used to," says Zhanel Bertayeva who, alongside Sima Rozikova, is the co-founder of a popular fashion news website called TheFrontRow.kz and The Kazakhstan Fashion Institute.

Rozikova is also the founder of another online business called [Sprezzatura.kz](http://Sprezzatura.kz), a niche designer e-tailer which is set to soon launch a physical presence in Almaty. She cautions that the burden of import duties and other value-added taxes imposed on fashion and luxury goods entering the country could slow growth, however. "For me the main problem that can potentially kill emerging projects are the customs regulations. You have to pay 30 to 40 percent of the [wholesale] price just to bring here a product in. That's why the prices here are [still] so expensive. But even though Sprezzatura is a small project now [with such challenges], we have big ambitions."

With Moscow and Dubai only a few hours away, until a few years ago, the only places to buy luxury fashion locally were a handful of multi-brand retailers, which faced similar tax burdens. But as early as 1997, Kazakhstanis were already spoiled for choice by the trailblazing Almaty entrepreneur Liliya Rakh, whose legendary boutique Sauvage pitted some of most challenging avant-garde pieces from Comme des Garçons and Alexander McQueen against extravagant and elaborate garments from the biggest French and Italian maisons. Rakh's vision continues to divide opinion here. Some call her merchandising mix genius, visionary and brave, while others call it reckless, chaotic and premature for the market.

But Rakh is experiencing something of a comeback. Her shops Sauvage and Lui-Lei have given rise to Sauvage Group, whose latest flagship is a decadent complex called Villa dei Fiori where yet another multi-brand venture BoutiqueNo1 acts as anchor for a lush cloistered retail space fringed with gardens, deluxe lounge huts and percolating fountains. Her new strategy has emerged out of increased competition: she has now adopted the business model of many of her rivals, which means franchising mono-brand boutiques for Bruno Cucinelli, Giuseppe Zanotti and soon-to-be opened shops for Tom Ford, Chloe, Saint Laurent and Etro.

Similarly, Hermès is operating through a local joint-venture partner called Premier Metro Group which has a stake in international brands covering a variety of luxury sectors including timepieces, fashion, automobiles and fine wines. G&G Glamour began distributing MaxMara before operating boutiques for Gucci, Dolce Gabbana, Fendi, Celine, Sergio Rossi and distributing many younger designers from its showroom. The Feru Group has also transitioned from multi-brands to operating boutiques for the likes of Valentino and Marni.

One important early player on the market is Viled Group, which in 1999 began distributing luxury watches through its eponymous Almaty showroom before opening up boutiques for the likes of Cartier, Van Cleef & Arpels, De Grisogono and Piaget. But it wasn't until 2006, when the group's deputy director general Andrey Kopytin decided that the market was seriously ready for importing designer fashion, so he duly spun off a fashion division.

Kopytin himself now leads Viled Fashion as its director. "We decided to open negotiations with leading department stores in order to open a more [grand] and beautiful space instead of dealing with a bunch of small monobrand stores. Saks Fifth Avenue was the one that responded most favourably to our proposals to open a store in Almaty and after six long years of planning and preparations, we opened Saks in the new Esentai Mall in the fall of last year."

In just one year, Viled Fashion has begun to tower over many of its rivals thanks to the Saks license which has brought in just about every desirable designer name not already on the Almaty market — and according to insiders, pushing many brands with longstanding relationships with other groups to swap allegiances. Quite remarkably, in the futuristically designed multi-story Saks Almaty a cool corner of gothic provocateurs like Gareth Pugh and Thomas Wylde sits comfortably on the same premises as racks of Badgley Mischka for ladies who lunch and matronly intellectual fans of labels like Eskandar.



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Why this merchandising paradox may just work in Kazakhstan, according Jaxybai, is that the society is now divided generationally into the youth she described earlier and “people in their 40s and 50s who lived through the transition of the 1990s and who remember the Soviet times of propaganda, no consumer choice — and then the perestroika times of no goods on the shelves, which drastically changed to a flood of bad quality fake goods from China, Turkey; and then finally exposure to genuine quality, branded fashion,” she says.

Around the same time that Saks Fifth Avenue bowed, Viled Group’s Kopytin experimented with another multi-brand format when Viled Style boutique opened in a newly upgraded, revamped Keruen Mall in Astana. Alongside international partners, Kopytin was also instrumental in persuading marquee fashion names to get a foothold in Kazkhstan’s second city where many believe that the 2017 International Expo will lure in many more brands and retailers. Viled Style now brings uber-luxurious and niche-eveningwear ranges to Astana’s rich through rails of Loro Piana, Aquilano Rimondi, Giorgio Armani, Ermanno Scervino, Naeem Khan, Zac Posen and Costume National. High society style works well in the capital with its many bureaucrats, balls and formal galas — so much so that television personality Dinara Satzhan recently opened a multi-brand boutique in the Sary Arka mall stocking exclusively Kazakhstani and Central Asian designers at more affordable prices in order to capture those two unique selling points.

“These people have the highest consumer power but are very stereotypical in the mindset and thus are very much brand-driven. They tend to chose classical, popular, quality and often expensive brands as they have an idea when apparel or accessories served a whole life-time and was inherited from the previous generations. These people worked hard to make their wealth and they tend to part with their money for a reason, for a need and less compulsive in their habits,” says Jaxybai.

Even in the upmarket Esentai Mall, upmarket mono-brands for Louis Vuitton and Christian Dior rub shoulders with stalwarts of the middle market like Oasis, Mango and Mexx. Over at Mega Mall Almaty, which also has branches in Astana, the mining city of Shymkent and petroleum hub of Aktobe, high street retailers like Topshop, Zara, GAP, Monsoon and sportswear giants Adidas, Nike and Reebok keep the middle classes busy shopping. The iconic Norman Foster-designed Khan Shatyr asymmetrical transparent ‘yurt’ tent mall and entertainment complex in Astana is another giant destination for such brands.

No wonder Kazakhstan has skyrocketed eight places up A.T. Kearney’s Global Retail Development Index in just one year so that in 2013 it is now the 13th most attractive developing country in the world, outranking Saudi Arabia (in 16th place); Mexico (in 21st place) and Russia (in 23rd place).

In the mid to longer term though, the vast expanse of Kazakhstan and its 17 million increasingly well-off citizens mean that the low to middle end of the fashion market may offer greater potential rewards than the luxury segment, according to many on the ground.

“It started from the high street segment and now the next step will be the introduction of the middle-market brands. And perhaps in 10 years we may see a realistic opportunity for a niche segment [to flourish],” says Jaxybai.

Rozikova agrees: “There was mass, now there’s luxe and soon it’ll be high time for contemporary brands,” she says. “Yes, a lot of girls here still want the most expensive looks to mimic Moscow fashionistas but... in a few years there will definitely be a new portrait of the average Kazakhstan consumer. As an owner of a store like mine, I relish that moment when they stop buying total looks of Stella McCartney or collecting Kelly bags. It’s coming.”

**Editor’s Note:** This article was revised on 12 September, 2013. An earlier version of this article misstated Andrey Kopytin’s title. He is deputy director general of Viled Group. The article also mistakenly referred to Shymkent as a petroleum hub. Shymkent is a mining centre. Aktobe is a petroleum hub.