

GLOBAL INFLUENCES



BIG INTERNATIONAL BRANDS ARE RECOGNISING THE VALUE OF THE NEW ZEALAND MARKET AND ARE CHANGING UP THE RETAIL ENVIRONMENT.

WITH THE EMERGENCE OF WORLD-class retail precincts like Auckland's Commercial Bay, Britomart, Westfield Newmarket, and Sylvia Park, there's evidence that the globalisation of retail is very real.

New Zealand is a good hunting ground for international retailers says Bayleys national director retail Chris Beasleigh.

"Global retailers have often first tested Antipodean appetite for their brands, products and services in Australia where, although population numbers are vastly different, consumer patterns and tastes are similar.

"Setting up shop in New Zealand requires extensive demographic and market research, with broad scoping for optimal locations and right-sized property – and that's all before drawn-out approval processes among main stakeholder boards of the offshore parent companies.

Beasleigh says these international brands have magnetic pull for other smaller retailers to leverage, whether they are main or mini anchors within shopping precincts.

"Countdown-anchored centres always attract attention from other

occupiers and have enabled numerous New Zealand-owned businesses and franchises to consolidate really successful businesses off the back of high footfalls and accessible locations."

Bayleys' nationwide retail team has established and proven relationships with tenant representatives for international retailers that are putting out feelers for sites and opportunities here.

"When we have a new retail centre coming on stream, we proactively reach out to tenant reps with details and concept plans, and also have strong direct connections with international retail brands.



"WE PROACTIVELY REACH OUT TO TENANT REPS AND ALSO HAVE STRONG DIRECT CONNECTIONS WITH INTERNATIONAL RETAIL BRANDS."

CHRIS BEASLEIGH, BAYLEYS NATIONAL DIRECTOR RETAIL



"They know what they want demographic-wise before entering any new market and do in-depth analysis of population, income, growth, footfall and competitor metrics.

"We also leverage long-term relationships with the Australian-based Large Format Retail Association (LFRA) attending their conferences, liaising directly with members and regularly hosting site-scouting trips to main centres."

Some international brands will find it difficult to gain significant physical traction in New Zealand, as they often operate on business models requiring a population catchment of around one million within a 60-minute radius, which is hard to find outside of Auckland.

THE IKEA EFFECT

With Swedish furniture giant Ikea set to begin construction on its full-size 34,000sqm store at Auckland's Sylvia Park, and a corporate spokesperson having said New Zealand felt like a missing piece for IKEA, Beasleigh says another layer will be added to our retail landscape.

"Ikea is a mammoth retail force and the company had been looking at the New Zealand market for a very long time, with a groundswell of public support.

"This first New Zealand Ikea store is expected to open late-2025, and there was talk of studios and smaller-format stores in Wellington and Christchurch."

Recently, Ikea opened its smallest store in Australia to date, in Sydney's Northern Beaches, and at 215sqm, the "plan and order point" store is a mere fraction of the size of larger Ikea warehouse stores and is intended to provide a more personal face-to-face shopping experience.

Championing sustainability, the investment arm of Ingka Group, which owns most of the world's Ikea stores, has also bought a stake in a proposed Australian wind farm to support long-term access to renewable energy and will

debut electric tuk-tuks to clean up last-mile delivery transport in Australia.

Australian-headquartered Kmart also views New Zealand as a growth market with its largest Kiwi 24/7 store in the Manukau Supa Centa now open and a new 40,000sqm distribution centre planned in Ruakura to support its current 25 stores, and future trajectory.

PHARMACY BIG GUNS

Chemist Warehouse has exploded onto the New Zealand retail scene, changing the way the pharmacy sector operates and stating it would like to see somewhere between 50 and 70 stores here.

Founded in Melbourne more than 20 years ago to offer cosmetics, health and other goods at a discounted price, Chemist Warehouse now has 500-plus outlets across Australia and New Zealand, and a presence in Ireland and China.

The company started its march into New Zealand with a single pharmacy in Auckland and now has 41 pharmacies around the country, with almost 60 percent of these in the Auckland region.

Beasleigh says Bayleys' leasing team has facilitated a number of leases for the pharmacy chain, and as a business that attracts huge numbers of shoppers, landlords welcome them.

"It's a business model that plays the volume game with an extensive product range, loss leaders to get people through the doors, and overall pricing benefits that only a big operator can pass on to consumers."

Meanwhile, 100-percent Kiwi-owned pharmacy chain Bargain Chemist, which first opened in Christchurch in 2018, continues to open superstores, with its 19th set to open in Birkenhead, Auckland.

FOOD AND ATHLEISURE

Other big-name international brands that Bayleys has helped cement a New Zealand presence for include donut legends Krispy Kreme, and athleisure brand JD Sports.

“We handled the initial rollout for Krispy Kreme in New Zealand, with the multinational donut provider opening its first New Zealand outlet in 2018 in Manukau.

“In May 2023, Krispy Kreme opened its sixth outlet in Westfield Albany bringing a business that began in the United States in the 1930s to a wider New Zealand audience.”

UK-based sports-inspired footwear and apparel company JD Sports now has stores across Auckland and in Hamilton, spurred on by continued excellent performance of its Australian outlets.

“The athleisure market has soared through the pandemic and continues today, underpinned by the more casual approach to dressing, the growing influence of social media, and the fact that items like new trainers are perceived to be an affordable treat.”

Beasleigh says with the closing of several department stores in New Zealand, where there were concessions in-store for international retailers to have a presence, there is increased opportunity for those brands to establish standalone stores.

“Queenstown is one market that could leverage these international brands, given that it’s a cosmopolitan tourist-driven town.”

REMOVING BARRIERS

“Competition is a driver of lower prices and better quality which, in a cost-of-living crisis particularly, is good for consumers,” says Beasleigh.

“Restrictive land covenants and lease exclusivity agreements have often blocked competition by creating barriers to entry or expansion in a particular market and allowing established big retail chains to protect their market positions.

“We’ll have to wait for the dust to settle following the Commerce Commission’s recent competition studies of retail markets, and their guidance to mitigate potential breaches of the Commerce Act.”

With membership-based American retail giant Costco opening its \$100 million-plus Auckland warehouse in Westgate last September, Beasleigh says New Zealand shoppers have been exposed to another option in the grocery sector.

“Westgate Costco will test whether consumers here will embrace the bulk shopping model and will provide demographic data to determine whether the concept will fly in other parts of the country.

“It’s a numbers game at the end of the day, but consumers do want choice and there are growing calls for German discount retailer Aldi to expand into New Zealand, too.



“CUSTOMERS HAVE OFTEN BEEN INTERACTING WITH BRANDS ONLINE, WHICH CREATES FERTILE GROUND FOR THEM TO ENTER THE MARKET PHYSICALLY.”

GREG HARFORD, CHIEF EXECUTIVE RETAIL NZ

“With Kiwis familiar with the Aldi brand across the Tasman and with expats returning to New Zealand after extended time abroad where Aldi has huge traction, eyes are on whether the supermarket chain will make a move.”

Multinational fast-food operator Restaurant Brands, which owns KFC, Pizza Hut, Carl’s Jr and Taco Bell in New Zealand, Australia, Hawaii and California is also continuing to expand its footprint and will soon open its 14th Taco Bell store in New Zealand, in Otahuhu.

Major US burger chain Popeyes Chicken is also purported to be launching in New Zealand, close on the heels of US-headquartered Wahlburger, which operates across 25 US states, Canada and Australia, and recently opened on Auckland’s Princes Wharf.

CONFIDENCE IN NZ MARKET

New Zealand is a small market globally, but is increasingly attractive for international retailers, says Greg Harford, chief executive of Retail NZ, the membership organisation that represents the views and interests of New Zealand’s retail sector.

“There’s strong demand for some of the big international brands from consumers, with Ikea and Costco examples of firms that have long had customer bases champing at the bit for them to be here.

“Customers have often been interacting with some of these brands online, which creates fertile ground for them to enter the market physically.

“Additionally, with borders reopened, it’s likely that global luxury brands will continue to want to serve the high-value tourist market – and we’ve seen a lot of this sort of development, particularly in Auckland and Queenstown.

For years, there has been a narrative that bricks and mortar retail stores do not have the defences to adequately compete with the online marketplace, but Harford says the large international retailers have finessed the omnichannel shopping model.

“While in-store sales have rallied since the dark days of COVID with in-store experiences allowing customers to interact and engage with product and people in a way that can’t be replicated online, customers are looking for omnichannel experiences and will often engage with retail brands both online and in-store.

“To be a highly successful retailer in 2023, you’ll be wanting to help your customers across all channels.”

Harford says the arrival of overseas retailers is seen as a vote of confidence in the New Zealand market.

“It does create more competition and challenges for Kiwi businesses, but big international players with physical stores also create opportunities for smaller firms to locate nearby to take advantage of customer traffic.

“We have been operating for years in a globalised 24/7 shopping environment and customers can – and do – shop for whatever they want, from wherever they want creating competitive pressure for Kiwi retailers pushing them hard to deliver great services and products to customers.”