

Dallas exports marketing ideas to Shanghai Mart

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Staff Writer

SHANGHAI, China — On the outer edge of this densely populated financial center filled with gleaming skyscrapers lies an 11-story trade center brimming with North Texas ties.

Shanghai Mart, China's first and largest international wholesale trade market, contains more than 2,000 showrooms grouped around a soaring atrium.

Its inspiration: Trammell Crow's Dallas Market Center.

Opened in 1999 as a novel ex-

THE CHINA CONNECTION

China, Texas and the economy

periment for China, the \$250 million Shanghai Mart initially failed to attract a critical mass of vendors and retail buyers. So three years ago, it turned to executives at the Dallas Market Center for help.

Since then, the Dallas executives have become a fixture at Shanghai Mart, traveling to the booming Chinese city of 20 million people at least once every quarter. They're playing a key role in Shanghai Mart's turnaround while introducing modern retail practices to China.

"The Dallas Market Center is our teacher," said Hansen Tian,

Shanghai Mart's 51-year-old general manager.

The lessons include almost everything the Dallas Market Center has gleaned about the unique business of trade markets during nearly half a century of operation, such as how to market shows, meet buyers' needs and select vendors.

Shanghai Mart's managers "are so hungry and so willing to change into what you think is the right approach," said Bill Winsor, chief executive and president of the Dallas Market Center. "We respect them, and they respect us."

The markets in both Dallas and Shanghai bring together retail buyers and wholesale vendors, saving each side time and money.

The vendors lease either temporary or permanent showrooms to display their products. The markets hold several shows throughout the year that usually attract thousands of buyers.

Shanghai Mart loosely resembles the interior of the 15-story World Trade Center, one of the key buildings at the sprawling 117-acre Dallas Market Center.

Big differences

Both hold hundreds of showrooms along with exhibition space. Both host shows for retail buyers throughout the year. And both contain a Starbucks and directly face major thoroughfares —

Stemmons Freeway in Dallas and Yan'an Road in Shanghai.

But even though each building exudes a cavernous feel, Shanghai Mart buzzes with the activity of 6,500 people who work in either the mart or the adjoining office tower and convention facilities.

Throughout the day, swarms of people crowd into the building's elevators. Long lines form at the center's Chinese restaurant. The mart is so large that a tour of all of its floors is said to be the equivalent of playing 18 holes of golf.

The even more massive World Trade Center, by contrast, is usually silent, with only a few people scurrying about except during apparel, gift and home shows.

The two trade centers differ in other ways.

The much smaller Shanghai Mart focuses on exports of mostly private-label goods, catering to buyers from large retailers in the U.S., Japan, Korea and Europe.

About 500 manufacturers primarily from China, Japan and Korea occupy its showrooms, selling apparel, textiles, gifts and home decor usually made in or around Shanghai. Chinese fashion designer Mark Cheung leases space, as does the trade publication *China Fashion Weekly*.

Major retailers such as Wal-Mart Stores Inc. and the United Kingdom's Tesco PLC have opened buying offices at Shanghai Mart.

SHANGHAI MART

Trade mart, expo center and offices

Opened: 1999

Permanent showrooms: 2,200

Products: Apparel, textiles, gifts and home decor

Ownership: S.P. Tao and four other Chinese investors

Employees: 500

Companies leasing showrooms: 500 including Royal Bath Accessories, Borida and Sunwell Daiwabo



RYAN PYLE/Special Contributor

DALLAS MARKET CENTER

World Trade Center, Trade Mart, International Floral and Gift Center and Market Hall

Opened: 1957

Permanent showrooms: 2,000

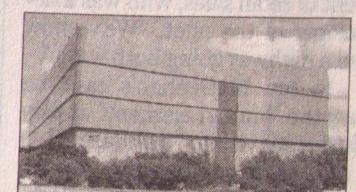
Products: Lighting fixtures, silk flowers,

apparel, gifts, home accessories, furniture, etc.

Ownership: CNL Income Properties and Crow Holdings

Employees: 300

Companies leasing showrooms: About 2,000 including Calvin Klein Jeans, Donald McEvoy, Global View and Liz Claiborne



DARNELL RENEE/Special Contributor

SOURCES: Shanghai Mart; Dallas Market Center

"We chose Shanghai Mart because of its convenient location, its proximity to hotels and its facilities," said Beth Keck, Wal-Mart's director of international corporate affairs.

Buying offices aren't needed at Dallas' World Trade Center because its customers are mostly buyers from specialty stores in the surrounding region.

Since 1974, thousands of these buyers have flocked to the World Trade Center each year to view the latest gifts, home accessories, furniture, jewelry and other products.

The World Trade Center leases its showrooms primarily to U.S. wholesalers, who sell branded products usually made in China and other Asian countries.

Rough times

China's emergence as the world's low-cost factory floor has transformed the country into an export powerhouse over the last decade, but the benefits have yet to rub off on Shanghai Mart.

When Mr. Tian joined the mart in 2003, it was losing \$7 million a year. Five Chinese investors — three in Taiwan, one in Singapore and one in Indonesia — own the

center.

Originally, Mr. Crow was to have been one of the investors. In the 1980s, he had envisioned creating a wholesale trade center in China similar to the one he founded near downtown Dallas in 1957, which eventually became the Dallas Market Center.

But in 1989, Mr. Crow pulled out of the project after thousands of students and others died in the Tiananmen Square massacre in Beijing. The other investors went ahead without him.

In 1999, when Shanghai Mart opened, China had not yet joined the World Trade Organization, and direct sourcing wasn't a well-known concept in the Chinese retail industry. Manufacturers in China weren't familiar with the concept of showcasing their goods at a trade mart. For years, buyers from Wal-Mart and other retailers traveled to numerous Chinese cities to visit manufacturers and see their products.

Or, as more often was the case, they used trading companies in Hong Kong to buy goods from China.

So Shanghai Mart encountered difficulty leasing its 2,200 showrooms, its major source of revenue. Even today, despite significant progress, Shanghai Mart's showrooms are only 65 percent leased, compared with 96 percent for the Dallas Market Center.

"One of our tough jobs is to educate manufacturers," said Richard Chen, Shanghai Mart's vice president of marketing.

Shanghai Mart also suffered from poor management, said Mr. Tian. The first independent general manager appointed to lead the mart, he came armed with both retail experience and an understanding of Western business practices.

Dallas execs step in

To help turn Shanghai Mart around, top executives from the Dallas Market Center embarked on a number of changes starting in 2002. They devised a new business plan, hired personnel and brought them to Dallas for training in marketing, leasing and operations.

They also helped develop biannual apparel and home decor shows.

These days, the Dallas executives are working to ensure Shanghai Mart obtains a greater variety and depth of products. They're al-

so bringing in top industry experts to talk about fashion trends during shows, which helps attract a wider audience. Most important, the

Dallas Market Center's relationships within the U.S. retail industry are getting Shanghai Mart on the radar screen of more American buyers.

The Dallas Market Center has introduced Shanghai Mart to private buys and matchmaking events, said Cindy Morris, the Dallas center's chief operating officer.

Private buys involve inviting a large retailer to set up shop in the mart for two to three days to meet with many vendors.

And two matchmaking events — opportunities for buyers and sellers to communicate before a mart — have been held so far.

The Dallas Market Center is also helping Shanghai Mart transform an empty corner on its sixth floor into a venue for top Chinese fashion designers. So far, nine designers have agreed to lease space there, said Mr. Tian.

The Dallas and Shanghai officials talk regularly by phone and communicate by e-mail, particularly during marts and big events. Two Dallas Market Center employees who speak Chinese work full time on Shanghai Mart.

Along the way, personal bonds have grown.

The Dallas mart executives have taken their Chinese counterparts around North Texas, shopping at the Galleria, dining at steakhouses and touring the Crow family's art collections.

In Shanghai, the Texans have sampled Asian fusion cuisine and

enjoyed the stunning view at restaurants along the city's famous waterfront, the Bund.

Getting results

The results are beginning to show. After losing \$1.2 million in 2004, Shanghai Mart expects to break even this year, Mr. Tian said. And Wal-Mart's buying office is negotiating to expand its space.

"Shanghai Mart is an excellent platform to really connect the factories and manufacturers in China with European and American retailers," said Thomas Burns, senior vice president at the Doneger Group, a forecasting firm in New York.

The trans-Pacific partnership agreement has proved so successful that in March, Shanghai Mart extended the Dallas Market Center's contract for seven years. Neither will say how much the deal is worth.

Mr. Tian will need all the help he can get. He aims to transform Shanghai Mart into the best and largest apparel and textile mart in China and the world.

He envisions the mart as a high-end fashion center, not just for exports but also imports.

"Shanghai is a rising star," he said.

In a sign of how smoothly the relationship has grown, a few pictures of Mr. Winsor and Ms. Morris with Shanghai Mart's top executives line one wall of a second-floor hallway leading to the center's administrative offices.

In remembrance of an earlier time, the first photograph on the wall reminds visitors and employees of how the idea for Shanghai Mart began. Taken at a state house in Beijing, the 1992 picture shows S.P. Tao, one of Shanghai Mart's owners and its chairman, and a top Chinese government official feasting with Mr. Crow.



FILE 2004/Special Contributor

The Shanghai Mart hosted an international food and hospitality show in September 2004.