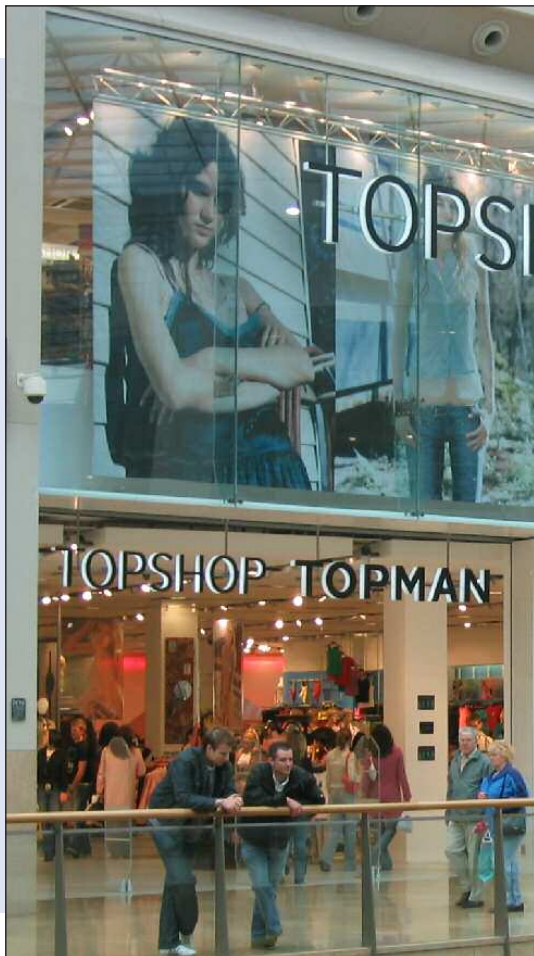


THINK RETAIL THINK VERDICT



UK Menswear Retailers 2008

**Value and niche chains
ride the downturn**

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Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

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In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.



"Verdict are the company of choice for any research analysis and insight into retailing"

Sir Stuart Rose
Executive Chairman
Marks & Spencer

UK Menswear Retailers 2008

Value and niche chains ride the downturn...

Despite its sluggish growth menswear is undergoing significant change. Value retailers have taken market share from leaders M&S and Next, and niche specialists are also gaining ground by offering more interesting and individual ranges. While menswear may perhaps suffer less volatility during the credit crunch, retailers nonetheless face a battle to protect margins as costs increase.

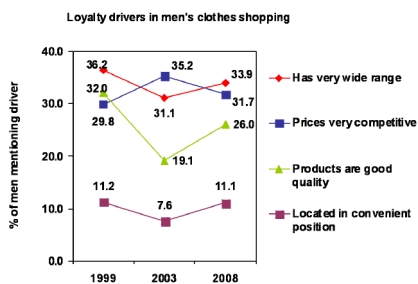
UK Menswear Retailers 2008 provides a comprehensive analysis of the UK menswear market with profiles of 11 of the leading operators, as well as a new section featuring an additional 10 influential players. It covers all key market data including expenditure, inflation/deflation, sales densities and operating margins as well as unique market share data. It is essential for all those aiming to identify the emerging trends in menswear retailing and maximise the opportunities in this challenging sector.

10 Key Retailers Profiled

Arcadia Group (Topman & Burton)	Matalan
Debenhams	Moss Bros
George (Asda)	Next
JJB Sports	Primark
Marks & Spencer	River Island
	TK Maxx

Benchmark the performance of the UK Menswear market and understand the key issues market drivers and the strategies needed to succeed with this new report...

Trends in menswear loyalty when clothes shopping
1999, 2003 & 2008



"Non-price loyalty factors are seeing a comeback in how men shop.

In particular quality has made a return as a loyalty driver, while other factors like convenient location and breadth of range are also increasing in importance. This trend away from price may seem counterintuitive at a time when consumers' budgets are under pressure, but there are complex mechanisms at play in determining most consumers' clothing purchasing patterns these days..."

- **Understand the key growth trends and issues in the menswear market**, to help you devise successful business develop strategies and win market share from your competitors.
- **Benchmark the performance of leading and influential players** using key operating statistics, space allocation and channel developments against 22 leading menswear retailers. Analyse how deflationary pressures on pricing and rising costs will affect retailer margins.
- **Understand the key issues driving and inhibiting menswear market growth.** Identify the key winners and losers in the fight for menswear market share and discover how retailers are adapting their propositions in response to external challenges and changing demand.
- **Assess how menswear shopping behaviour is changing** with Verdict's unique consumer research helping you to change men's attitudes to price, quality and convenience in their purchasing decisions.

UK Menswear Retailers 2008

This report answers key questions including...

- Which segment of the UK menswear market is showing the greatest growth potential?
- How can UK menswear retailers optimise their positioning and increase sales and margins despite challenging market conditions?
- How can UK menswear retailers adapt their strategies to ensure they are winners?
- Which distribution channels are growing the fastest, including Internet sales?
- How fast is the UK menswear market growing and what is happening with price deflation/inflation?

Key Market Data

10 year expenditure data on all clothing sectors

Men's outerwear & underwear expenditure

Market shares

Sales densities and operating margins

Product space allocation

Advertising spend

Key issues examined in this report...

UK Menswear market issues 2008

Source: UK Menswear Retailers 2008

"Despite attempts by retailers to push their average sale price higher, 2008 has seen a continued, albeit slowing, decline in price levels in the menswear market. In the late 1990s midmarket retailers' margins were boosted by moving sourcing to low cost countries, particularly in Asia. Some of the gains of cheaper buying were passed on to the consumer in the form of lower prices, but not all. Now, however, sourcing prices are rising, yet average selling prices are still declining, with serious negative effects on margins..."

- **Market fragmentation.** The UK Menswear market is continuing to fragment, with market leaders such as Next, M&S and JJB Sports, losing share rapidly and many smaller and value retailers making gains.
- **Impact of the economic downturn.** In previous downturns menswear has been highly vulnerable to family clothing budget cuts, but early retailer results indicate menswear is more resilient, with strong performances from a variety of retailers at different levels of the market.
- **Cost and price inflation.** Despite retailer attempts to increase average sale prices, price levels continue to decline. As sourcing prices rise retailers face serious negative effects on margins, compounding problems caused by the retail market slowdown.
- **Changing consumer behaviour.** The good news for retailers is that men are tiring of disposable products and increasingly favouring higher quality over a third more consumers mention quality as a key purchase driver than five years ago.

UK Menswear Retailers 2008

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Chapter 4: Strategic Outlook - Menswear Market Issues

Inhibitor: Cost and Price Inflation

- Some retailers have attempted to break out of this spiral by raising average selling prices, not on like-for-like product, but by introducing new ranges where it is difficult to make a comparison with the previous season's or by offering more product at certain price points. One retailer which has followed this course is Next, which pushed up its menswear average selling price by 5.0% in Autumn 2007.
- It expects to add a further 2.0%-4.0% to prices for Autumn 2008, meaning that in two years it will have increased menswear prices cumulatively by around 8.0%. The response, judged by like-for-like sales, has not been a particularly positive one. On the other hand, in the half-year to July 2008, it managed to increase gross margins. However, it does not expect to repeat this gain for the rest of the financial year and in 2008/09 it expects gross margins to come under pressure.
- Next's situation is likely to be representative of the whole of the clothing retail sector in the coming 18 months. The cost of a return to rising or at least stable prices is likely to be a decline in the volume of sales. The question is how to make those sales profitable ones and to protect margin as much as possible. Retailers skilled in sourcing well made product with interesting fabrics and design twists that add perceived value stand the best chance of achieving this by persuading the consumer that higher prices still mean good value for money.
- The risks in this strategy for midmarket retailers are that they will be undercut by budget clothing specialists and grocers. But these, too, will be subject to cost pressures and since their sourcing is even more heavily concentrated in markets where pricing pressure is emerging fastest, particularly China, they may be even more exposed to sourcing inflation than those buying product from regions nearer Europe like North Africa and Turkey.

Inhibitor: Menswear Cut First in Downturns

- In previous economic downturns it has been the established pattern that menswear is the first to be cut from the family clothing budget as childrenswear and womenswear take precedence. Under these circumstances, retailers with the greatest exposure to menswear would be the first to see their sales negatively affected by a downturn.
- In fact, there has been no unequivocal evidence so far that this is actually taking place. Austin Reed, for instance, reported a positive performance for the quarter to the end of April, while at Ted Baker, where menswear makes up the majority of sales, performance has continued to be strong up to June. John Lewis also reports menswear performing well, while Moss Bros has seen its like-for-like sales decline by far less than those retailers heavily exposed to womenswear like M&S and Next. It has to be underlined that these retailers are mostly at the upper middle or premium end of the market, and so little account is taken of the lower priced sector, but as yet there is no clear pattern of menswear underperformance.

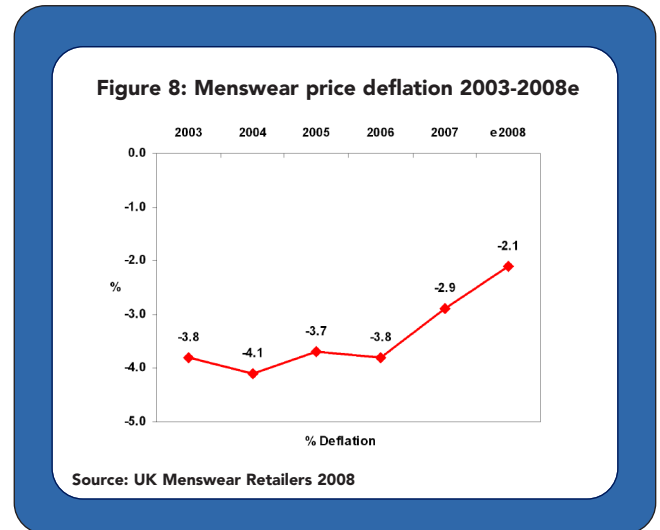


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