

THINK RETAIL THINK VERDICT



UK Value Clothing Retailers 2008

**Profitability hit as value
retail matures...**

Published: November 2008
Reference Code: DMVT0458
Report Price: £1,795/€2,595/\$3,450

About Verdict Research

Authorative analysis...

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.

Rigorous research methodology...

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For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

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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 Value Clothing Retailers 2008

Profitability hit as value retail matures...

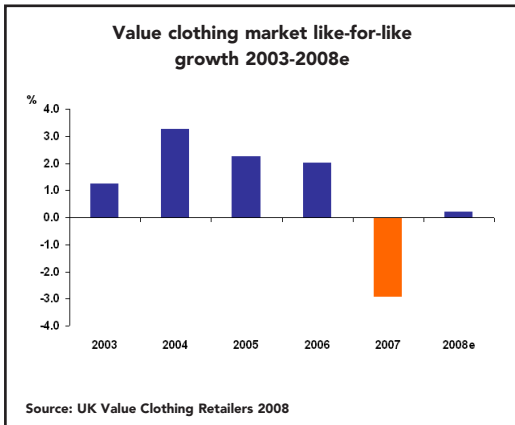
The £8.8bn value clothing market has been the engine of the UK clothing market over the past decade, but growth has slowed significantly over the past two years and there have been several casualties among the smaller operators as costs rise and debt levels become unsustainable. Profitability and like-for-like sales growth have declined, and even the market leaders are finding times more challenging. The era of price deflation and high volume sales has come to an end and consumers are tiring of high consumption.

UK Value Clothing Retailers 2008 is a new report published by Verdict Research providing in-depth insight into emerging trends in the value clothing sector and examining the key issues retailers face as the sector matures. The report includes detailed analysis of the key players, a study of recent casualties market value, retailer shares and dynamics.

10 Key Retailers Profiled

Asda (George)	Sainsbury
Bonmarché	Tesco
Matalan	Peacocks
New Look	T J Hughes
Primark	TK Maxx

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



“Despite an improved performance in 2008, the underlying trend over the last five years indicates like-for-like sales growth is declining. As consumers become more cautious with their spending, this trend will continue as value retailers struggle to persuade consumers to purchase high volumes is declining...”

- **Benchmark your performance against major players** using this report’s key operating statistics, space allocation and advertising data to compare your performance with the leading UK value clothing retailers.
- **Adapt your UK value clothing retail strategy to a maturing market** with this report’s detailed and insightful profiles examining the strengths and weaknesses of the ten largest UK value clothing retailers and giving expert opinion on their outlook.
- **Discover the growth potential and challenges facing key UK value clothing retailers** based on the in depth analysis of the clothing market to understand how value retailers will be affected by slowing consumer spending.
- **Understand the key issues facing the UK value clothing sector** and how rising costs will impact on UK value clothing retailers and their margins.

UK Value Clothing Retailers 2008

This report answers key questions including...

- What changes are UK value retailers making to their location strategies?
- How can UK value retailers continue to grow sales in a maturing market?
- How will the downturn affect UK value clothing retailers?
- Which retailers are driving UK value clothing market growth and how?
- How is the relationship between clothing and value clothing market growth changing?

Key Market Data

10 year UK value clothing market expenditure data

Specialist space

Store numbers

Advertising spend

Value and clothing market shares

Sales densities, operating margins and operating profit densities

Key issues examined in this report...

Value retailing – developments in typical model 1998-2008

Stores	Small	Large
Location	Secondary / Tertiary	Primary
Range	Limited	Wide
Costs	Low	High
Densities	High	Low
Margin	High / Medium	Lower
Like-for-likes	Positive	Negative
Growth	High	Low

Source: UK Value Clothing Retailers 2008

Consolidation and
Restructuring

"Value Model More Complex as Sector Matures.

The value model of a decade ago was low cost, with retailers situated in secondary or tertiary locations, but as the sector, and retailers' businesses, have matured they have moved to larger sites and extended their ranges into new product categories, widening their target audience and sales opportunities. This has increased the complexity of their businesses and costs are rising for all retailers. The result is that key operating statistics like margins and sales densities are falling..."

- **Maturing of the value sector.** Growth in the value sector has slowed significantly over the past two years with like-for-like growth moving into negative territory. This has led to competition intensifying and smaller, weaker operators have begun to fail.
- **Impact of the economic downturn.** Consumer's clothes buying is becoming more selective and they expect value for money. However they are less interested in buying high numbers of garments just because of low prices. This has resulted in a slowdown in volume sales, a crucial element of value retailing.
- **Narrowing gap between mid-market and value retailers.** Mid-market retailers have been promoting and heavily discounting and value retailers also now face intense competition from a wider range of discount formats.
- **Ethical credentials.** Over the long term ethical retailing will grow in importance; value retailers must invest more in communicating their ethical strategies if they are to overcome the perception that low prices mean unethical production.

UK Value Clothing Retailers 2008

Pages 201

Figures 48

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Chapter 2: Market Analysis

Value Market Channels of Distribution and Sales Mix

- Childrenswear has been a particularly successful area for value retailers, increasing their share of the market from 26.1% to 36.0%. The concept of value clothing works well in childrenswear as parents are often reluctant to invest in expensive clothing which children can outgrow quickly. Fashion trends have also been taken account of in value retailers' childrenswear ranges. Offering more trend-led product has encouraged more young teenagers to shop for clothing, either using their own allowances for this or persuading parents to buy it for them.
- The proportion of value retailers' clothing sales generated by accessories has increased from 4.4% in 2003, Verdict estimates 5.5% in 2008. Accessories have become more popular, offering a cost effective route of updating outfits. Value retailers have capitalised on this and most now offer bags, belts and jewellery. Verdict expects to see further growth in the proportion of accessories sales as they improve their offers and as financial constraints force some customers to look for cheap ways of updating an outfit.
- However, womenswear still accounts for by far the largest proportion of value retailers' sales, though it has slipped back slightly we estimate from 51.5% in 2003 to 51.3% in 2008. Value retailers give many women on tighter incomes the opportunity to buy fashionable clothing, where midmarket retailers are too expensive for their budgets.
- Menswear has seen a fall in the proportion of value clothing sales that it accounts for between 2003 and 2008. Menswear fashion trends are usually much more subtle, meaning there is less need for men to update wardrobes frequently and men cut back on their clothing spending quicker in a recession than women. Men are therefore more inclined to invest in better quality clothing that should last longer.



Store Numbers & Space

- The number of value clothing specialists declined in 2007 after QS closed 134 stores when it fell into administration. QS struggled to compete with larger value retailers and though its prices were low, it failed to improve the design and quality to match its competitors. Despite store numbers falling, space increased as the leading value specialists continued to open larger stores to accommodate a broader range of complementary categories.
- In 2008, Verdict expects to see a small rise in store numbers, as retailers such as Primark and Peacocks continue to grow their portfolios. However this will be offset by smaller specialists that have fallen into administration, resulting in store closures.

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