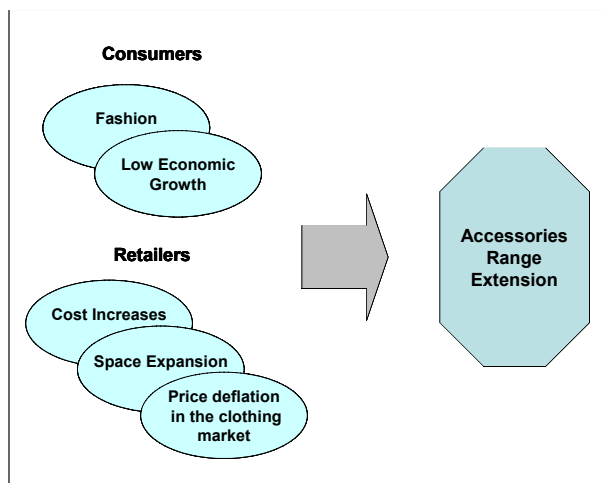


Accessories Retailing 2006

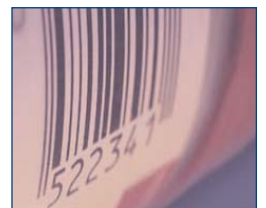
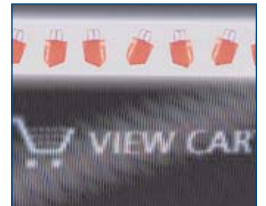
A lifeline for clothing retailers

Published March 2006
New Verdict Retail Report

Accessories Market Drivers in 2006



Source: Accessories Retailing 2006



About Verdict Research...

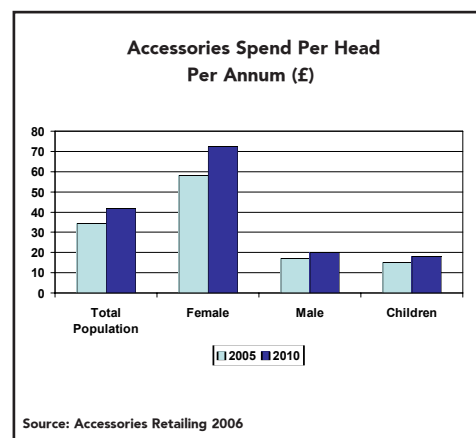
Verdict Research has been producing independent retail analysis and comment on the UK retail marketplace for well over 20 years and is regarded as a key source by BBC, ITV and the leading broadsheets including, the FT, Times, Independent and Daily Telegraph. Many leading trade publications also frequently refer to Verdict's opinion including Retail Week, DIY Week, Cabinet Maker and The Grocer.

Products and services include:

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 - European DIY Retailing
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 - 7 retail markets, 21 categories
- **News and Opinion Services**
 - Retail News

Some of the key findings in this report...

- **As the accessories market matures growth will halve over the next five years** compared to growth to the last five years but will continue to outperform the whole clothing market.
- **Clothing specialists are driving growth via overall space expansion and higher participation in accessories.** Clothing retailers are moving to larger store locations to reduce operating costs allowing more space to be allocated to accessories.
- **Both fashion and retailers are driving consumer demand for accessories.** Clothing fashions over the past year have lent themselves to heavy accessorizing and retailers have helped push these products as must-have items by applying their fast fashion clothing models.
- **Lower consumer price sensitivity makes the accessories market very attractive** for clothing retailers. However as more retailers exploit the opportunity competition will increase.
- **Increased competition and the higher operating costs of small retail units present challenges for specialists.** Small accessories stores need to be located in high footfall locations to achieve volumes high enough to sustain the higher relative costs.



"According to the Government Actuaries Department the UK male population will be the fastest growing over the next five years at 3.5%, while the female population will only grow by 2.6%. Despite this women's accessories will continue to be by far the most valuable market and will produce the strongest growth..."



Accessories Retailing 2006

A lifeline for clothing retailers

The clothing market is highly competitive and subject to heavy price deflation which is driving retailers to look for new areas where they can grow their sales. The ease with which accessories can be incorporated into a retailers offering and fast growth make this an attractive potential new market.

Accessories Retailing 2006: A lifeline for clothing retailers is a new report published by Verdict that analyzes the major specialists and participants in the accessory market and details accessory performance for all retailers. Verdict has used its retail expertise to produce a detailed analysis of accessories market size and growth rates broken down by sub-sector and category not just historically but forecasting growth over the next five years.

This new report will enable you to develop strategies to enter the accessories market or maximize existing sales and benchmark your performance against key competitors.

This report will provide you with...

- **Company profiles of the key players in the accessories market** detailing five year trends in market share, sales, profits, sales densities, space allocation, space growth, store portfolio analysis and SWOT analysis.
- **Five year market trends and forecasts to 2010** including market size, shares and growth rates for men's, women's and kid's accessories.
- **Proprietary primary market research on retail space** by product categories collected by Fieldforce Verdict's dedicated in-store retail research team.
- **Year on year analysis and forecasts to 2010** of sales and market shares by distribution channels and spend per head by key demographics.
- **Analysis of the key issues in the UK accessories market** including fashion trends, costs, space expansion, price deflation, price positioning, product range, store type and brand authority

**Accessories Market Growth
Year on Year (%)**

Category	2000	2001	2002	2003	2004	2005	2000 to 2005
Women's (%)	8.5	8.5	7	7.9	11.1	10.9	54.3
Men's (%)	9.5	7.8	2.8	9.1	12.2	10.4	49.7
Children's (%)	4	8.3	5.5	5.7	8.1	4.7	36.7
Total (%)	8.3	8.4	6	7.9	11	10.2	51.8

Source: Accessories Retailing 2006

"In comparison to the overall clothing & footwear market accessories are represent 5.2%, but coming from a low base, it has outperformed those markets substantially over the past five years and produced growth of 51.8% since 2000 compared with clothing & footwear growth of 22.9%. The average adult (15+ years) spend per annum is £41.60 compared with £765.80 for clothing and footwear combined..."

Mosaic Fashions UK Store Profile

Year to January	2001	2002	2003	2004	2005	e2006
Store Numbers	196	257	288	429	518	548
Sales Area (000 sq ft)	235	297	331	430	523	553
Y-o-Y Change (%)	10.6	26.4	11.7	30	21.4	5.8
Sales per sq ft (£/p.a.)	866	806	723	700	707	691
Accessories per sq ft	897	874	810	825	860	863

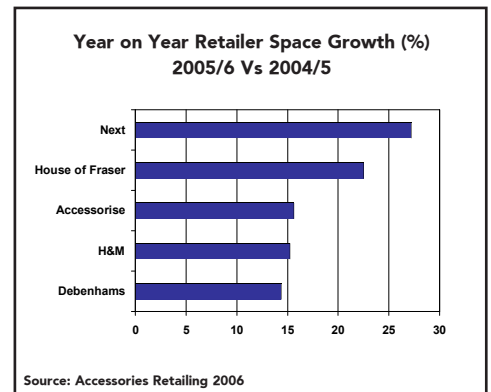
Figures include Oasis, Coast, Karen Millen and Whistles stores and concessions - before and after they became part of Mosaic

Source: Accessories Retailing 2006

"Mosaic Fashions was formed in June 2004 when the Oasis/Coast retail chain bought the Karen Millen retail chain, owner of Whistles. In late 2004 Icelandic investment group Baugur bought the company, which it has subsequently listed on the Icelandic Stock Exchange..."

Examining the hot issues...

- **Operating margins.** Price deflation driven by value retailers and grocers combined with increasing operating costs mean that clothing retailers to look for new opportunities to protect margins and increase transaction values.
- **The future of accessories specialists.** Small accessories stores need to be located in high footfall locations to achieve volumes high enough to sustain the higher relative costs of operating these small stores. The high operating costs of small units brings into question their viability.
- **Market growth.** Will growth slow as the market matures? The market has enjoyed buoyant growth since the millennium and this is expected to continue albeit at a slower rate.
- **Distribution channels.** The accessories market reflects the clothing market in being highly fragmented but, unlike clothing, specialists do not have the major share.



"Where retailers have increased market share, space expansion has been the main driver, either through store openings or increased space dedicated to the category. Space growth has been greatest for Next via organic space expansion and House of Fraser via acquisitions - which in turn have driven forward these retailers' accessories market shares..."

Key questions answered in this report...

- What is driving this fast growth market and will this growth continue?
- Which is the most valuable sector in the accessories market?
- Who has the leading performance figures in the accessories market and why?
- How much space allocation do accessories retailers give each product category?
- What are the sales densities and operating margins of the key players in the accessories market?
- How will average spend per head and per gender change over the next five years?
- What is the outlook for the accessories market as a whole and specialist retailers in particular?

Primark Key Operating Statistics

Year to September	2000	2001	2002	2003	2004	e2005
Sales ex VAT (£m)	304	376	488	563	645	722
Y-o-Y Change (%)	25.8	23.5	30	15.2	14.7	11.9
Operating Profit (£m)	32	41	49	67	83	107
Operating Margin (%)	10.6	10.9	10	11.9	12.8	14.9
Accessories Sales (£m)	19	24	31	39	46	54
Accessories Market Share (%)	1.7	2.1	2.5	2.8	3	3.8

Source: Accessories Retailing 2006

"Primark sells fashion-forward womenswear, menswear and childrenswear from a value/volume model. In the past few years it has expanded into accessories, footwear, lingerie and homewares. Younger shoppers visit Primark for less expensive versions of the latest high street trends, including accessories..."



Sample Information from the report

Chapter 5: Leading Clothing Specialists

Matalan

- Matalan was the first true UK value clothing retailer and retains its position as the second largest by value clothing market share after George, despite tough trading over the past two years. However in 2005, Matalan's 20th anniversary year, it came under increasing pressure from other value competitors including Primark and supermarkets that are attracting more of Matalan's core family shoppers. Matalan offers womenswear, menswear, childrenswear and homewares up to 50% below the equivalent high street price in its 192, mainly out-of-town, stores. The company has undergone various management changes over the last few years and chief executive John King will leave the company in December 2005. The search for a replacement continues and there is speculation the company will become private again.

Strengths	Fashion jewellery sub brands including Madison & Co (fashion-forward) and Fiore (contemporary)
	Refurbished/rearranged stores display accessories intermittently throughout the clothing offer, as well as in designated areas, broadening selling opportunities in-store
	Broad range of women's costume jewellery and handbags
	Wide range of girl's costume jewellery
	Men's tie range offers good value for money
Weaknesses	Its accessories offer is 'me too', without originality, though following style trends which is important
	Accessories are not as cheap as Primark on handbags, wallets or costume jewellery
Opportunities	To display accessories in a more contemporary environment, which also goes for its core clothing offer
	To grow own brand – hooking up with well known designer celebrities for costume jewellery or a handbag collection can drive interest in the categories
	To keep increasing fashionability while retaining its appeal to its family target audience
Threats/ Challenges	Matalan is being challenged on all fronts – by out-of-town retailers including supermarkets' clothing offers and by high street family value clothing retailers such as Primark and Peacocks
	Out-of-town format means there are fewer passers-by and therefore less potential for using small accessories items to drive footfall or to encourage impulse purchases

Order this report today to find out more...



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