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UK Mail Order Retailers 2008

**Market returns to growth but
traditional players suffer...**

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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.

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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
Chief Executive of Marks & Spencer

UK Mail Order Retailers 2008

Market returns to growth but traditional players suffer

The advent of Internet shopping has left traditional mail order retailers playing catch-up with their more dynamic niche competitors, high street retailers with transactional online websites and pure players. New initiatives and new entrants, have led to the market returning to growth after four years of decline, but performance varies across operators and there are still significant challenges to overcome.

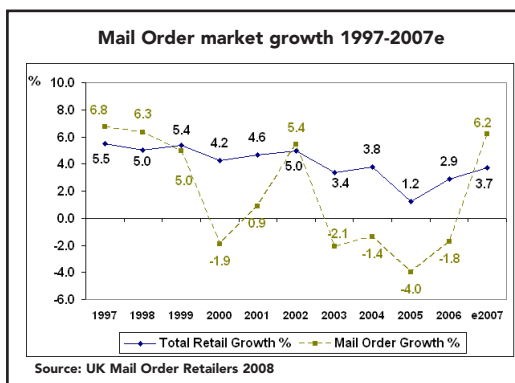
This new report published by Verdict provides in-depth insight into the UK mail order market including detailed profiles of 10 of the leading mail order operators. The report studies market trends, including extensive data on growth and value in the agency, direct and door-to-door markets and highlights the issues facing mail order retailers with responses necessary for specialists to compete in this challenging sector.

10 Key Company Profiles

Avon	Lakeland
Betterware	Littlewoods Shop Direct
Boden	Next
Findel	Otto UK
Flying Brands	Redcats UK

Identify trends and opportunities in the market using market data, channel analysis and market shares with this new report...

In 2007 the £9.9bn mail order market enjoyed its strongest growth for nine years at 6.2%, reversing four years of decline...



"This trend has been driven primarily by strong growth from direct and niche operators, who are effectively targeting specific customer groups, and from new business developments, the most significant being Tesco's launch of its Tesco Direct catalogue...."

- Quantify the trends in the market.** The 10 year historical market data and channel analysis, combined with market shares and key operating statistics of the major operators will allow you to identify trends and opportunities in the market.
- Understand the key issues that face mail order specialists.** The in-depth analysis of the market, of its operators and the major market subdivisions of direct, agency and door-to-door segments, ensures a full understanding of market issues enabling you to make well-informed strategic decisions.
- Develop winning strategies and to counter competitive threats.** This report's analysis of market issues with suggested responses provides the tools for retailers.
- Seize growth opportunities.** The identification of market trends and values, and analysis of the issues in the market contained in this report provides the basis for developing strong growth strategies.

UK Mail Order Retailers 2008

This report answers key questions including...

- What has fueled the growth in the UK mail order market over the past year?
- Who are the winners in the UK mail order market and why?
- Which are the most profitable mail order companies in the UK?
- What is the value of business online and what challenges and opportunities does this channel present to mail order specialists?
- What changes have there been in UK marketing spend and strategy in the UK mail order market?
- How are UK operators tackling International expansion?

Key Retailer Data

Market shares of major operators

Key operating statistics

Trading record

Operating margins

Catalogue portfolios & Propositions

Key issues examined in this report...

Though mail order retailers have worked to develop their propositions online, they are facing strong competition from high street operators...



"Bricks and mortar retailers' growing online presence, and the development of pureplay online operators have made the going tough for weaker players in the market. The wealth of choice now available has provided a compelling alternative to traditional catalogue-based retailers..."

- **Online has become the most important channel of distribution for mail order retailers.** Online ordering generated nearly 41.0% of all sales in the £9.9bn market in 2007. The result is that mail order operators have doubled their share of total online expenditure over the past five years, from 19.5% in 2002 to 38.1% in 2007.
- **Multichannel Increasing Activity.** As the mail order and store-based retail sectors continue to increase their overlap, a coherent and complementary channel strategy will become an increasingly important priority for all mail order retailers. Mail order operators are now developing physical outlets to complement their propositions and reach new customers.
- **Clothing and footwear remains the largest sector in mail order, accounting for 40.9% of all sales.** The reliance on clothing has been a weakness for mail order retailers in the past because of their inability to react quickly to fashion or sales trends, but the Internet has provided a solution for both. Companies are putting new products on their websites every week and using them to clear stock via promotions and special offers, improving margin management.

UK Mail Order Retailers 2008

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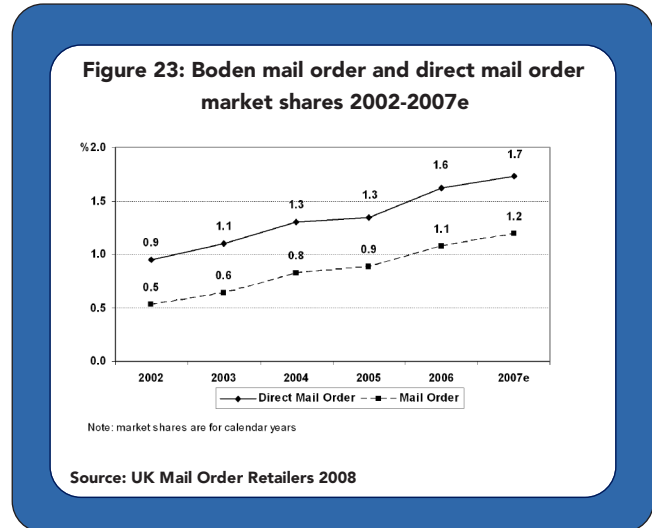
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Chapter 7: Boden

Market Shares

- In a short space of time Boden has built up a credible market share in both the total mail order market and the direct segment. With 1.2% of the mail order market it is only 1.1 point behind an established operator, Freemans, and in the direct market it is rapidly gaining on Grattan's 2.1% share.

Considering it is still a niche catalogue aimed at a very narrow range of customers, this is a highly credible performance – especially when bearing in mind this is its UK business only and it has virtually another 50.0% of sales in the US.



Trading Record

Year to December 2006

- Boden continued to produce high growth in 2006, further influenced by its US business. In the UK sales grew by 19.5% to £93.2m, significantly outperforming the market, while in the US sales were up by 45.3% to £35.3m, producing overall growth year-on-year of 25.6%.
- A 22.0% increase in active customers (those who have purchased in the past 12 months) between 2005 and 2006 was instrumental in this growth. Active customers grew from 590,000 in 2005 to 720,000 in 2006. The cost of customer recruitment remains constant at circa £30.00 per customer and 20.0% of the company's revenues is spent on marketing (the majority of which is spent on the catalogues). The store in Hanger Lane contributed 3.0% to overall sales – though its year-on-year growth rate is much lower than the overall business.
- The Internet has become an increasingly important channel for the company with approximately 60.0% of sales coming via the transactional website – up 10 percentage points on 2005.
- Though the company is investing in expansion its operating margin has been increasing significantly since 2003 and at 17.0% in 2006 is way ahead of many traditional mail order operators. This has been influenced by improving operating efficiencies and investment in IT, as well as lower call centre costs because of the higher usage of the transactional website for ordering. Though the US is not as profitable as the UK because of its high growth rate, it is still profitable.

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