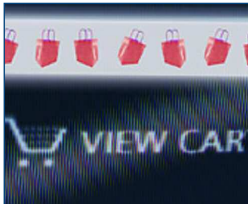


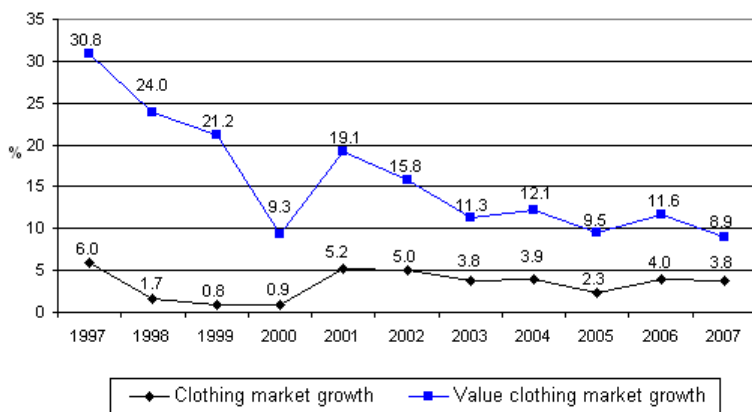
UK Value Clothing Retailers 2007

Slowest growth for a decade...

Sector Report - Published October 2007



Clothing market growth Vs value market growth 1997-2007e



Source: UK Value Clothing Retailers 2007

“Though the value sector continues to outperform the total clothing market, with growth of 8.9% in 2007 against 3.8% overall, this will be its slowest rate of growth since Verdict first started researching the market in 1997. One of the main factors behind this slowdown is that value is now ubiquitous in the clothing market as middle market retailers have sharpened their own prices in response to the growing competition...”



About Verdict Research...

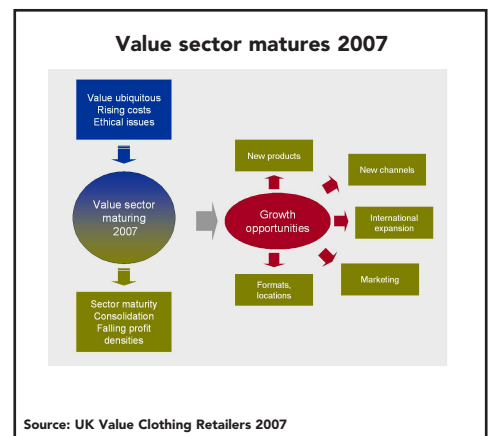
Verdict Research has been producing independent retail analysis and comment on the UK retail marketplace for well over 20 years and is regarded as a key source by BBC, ITV and the leading broadsheets including, the FT, Times, Independent and Daily Telegraph. Many leading trade publications also frequently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

Products and services include:

- **Consumer Research Reports**
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 - Neighbourhood Retailing
 - Out of Town Retailing
 - Town Centre Retailing
- **Retail Futures**
 - Quarterly Forecasts to 2009
 - Annual Forecasts to 2011
- **Retail News & Comment**

Some key findings from this report...

- **Value clothing retailers are competing directly with a greater range of other value retailers and midmarket value ranges.** This fundamentally changes value retailers' approach to business. Price becomes less useful as a differentiation factor and footfall driver, resulting in higher costs as retailers seek to differentiate through other means.
- **International expansion will be a key growth strategy for larger operators as they reach space capacity in the UK and demand slows.** The Top Five, Primark, George, Tesco, New Look and TK Maxx have all made advances onto the Continent and with a strong discount market in Germany and high growth opportunities in Eastern Europe, the potential for these retailers is high.
- **Primark becomes number one and TK Maxx overtakes Matalan.** Despite the growth of the supermarket channel, Primark has jumped to first place in the value clothing sector, overtaking market leader George (Asda). TK Maxx has also been making gains, with 2007 clothing sales high enough to join the Top Five value retailers, replacing Matalan.



"The recent evolution of the value market reflects numerous outside pressures, not least the growing availability of value ranges. Combined with rising costs and increased consumer concerns over ethical issues along the supply chain, from raw materials to production processes and transport implications, this provides for continued dynamism in the sector..."



UK Value Clothing Retailers 2007

The UK value clothing sector's increasing maturity is resulting in falling profit densities and sector consolidation. However, value retailers have been successful in grasping new opportunities from marketing techniques, category and range development, format and location improvements, multichannel development and international expansion to drive further market growth.

UK Value Clothing Retailers 2007 is a new report published by Verdict that provides in-depth insight into recent changes in the value clothing market and examines the key factors influencing the market's future. This report also provides new insights into the value, growth and impact of the sector over the last decade, including data on distribution channels, category share, store numbers and retail space for value clothing.

Identify and anticipate future market trends, benchmark your performance against key competitors and plan for the future with this new report.

This new report will enable you to...

- **Benchmark your competitive strategies using the company profiles contained in this report** for the top ten value clothing retailers including Ethel Austin, George (Asda), Matalan, Mkone, New Look, Primark, Tesco, The Peacock Group, TJ Hughes and TK Maxx.
- **Understand the key issues** using Verdict's analysis of major trends, developing threats and where there are opportunities for future growth in the UK market.
- **Quantify key retail trends and accurately predict future value clothing market growth** with this report's company profiles detailing retail proposition, marketing and operations analysis and market outlook and five year trends in market share, profits, sales densities, space allocation, space growth, distribution channel performance and store portfolios.
- **Assess the growth potential and the challenges facing the key UK value clothing retailers** using this report's in-depth analysis into their strategies, performance and outlook.



"The influence of value retailers can be most felt in the childrenswear market, where value retailers now account for more than a third of all sales. Their growth in this sector has also been the strongest over the past five years, gaining 11.3% points of market share in this time..."

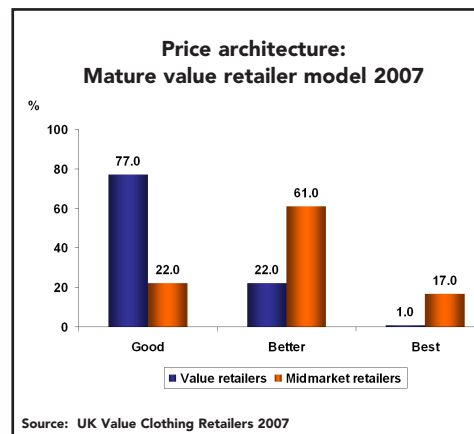


"Primark is the biggest growth story of the past year, overtaking former value market leader George to become the largest value retailer in the UK. It now holds an 18.49% share of the value clothing market, and has become the UK's fourth largest clothing retailer behind Marks & Spencer, Next and Arcadia..."



Key issues examined in this report...

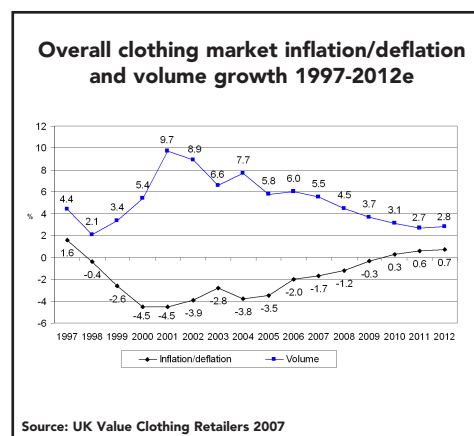
- Sector consolidation and falling profit densities.** In 2002, the Top 10 retailers accounted for 85.9% of the value market, which Verdict forecasts will jump to 90.0% for 2007. While the value market has continued to grow strongly, these gains are becoming concentrated in the hands of a few players.
- Widening value proposition as segment matures.** As the segment matures, value retailers are gradually moving more in line with midmarket rivals. Price architectures are being extended into higher price product through niche, designer, luxury and ethical ranges.
- Online value retailing.** The fast growth of online clothing sales is attracting value retailers online creating pressure on other retailers who fear losing sales to rivals with transactional websites. Online sales often reach the average for an operator's physical stores, but for value retailers, with lower prices and thinner margins per item sold, the move online is not necessarily appealing.



"One of the main effects of value retail has been to spur midmarket retailers into reassessing their own pricing, especially at opening price points – the Good, Better, Best price architectures. We estimate around 22.0% of styles in the midmarket are now at opening price points, with these products accounting for around 30.0% of sales volumes. In turn, value retailers are now offering a wider range of products at Better price points..."

Your key questions answered...

- Which value retailers are gaining share and why?
- What are underperforming retailers doing wrong?
- How fast is the value clothing market growing?
- How long will prices continue to fall?
- What are the biggest opportunities in value clothing now?
- What measures are retailers taking to cut their costs and protect their margins?
- Which product categories have been most impacted by value retailers?



"Price deflation is easing off in the clothing market. Deflation was at -2.0% in 2006; its softest level since 1998. 2007 looks set to have even weaker deflation at -1.7%, though this must be taken together with heavy Sale activity over the wet Summer months. While there is still some price reduction activity in 2007, this is typically a category-specific change where sales have failed to meet expectations, rather than wider price cutting across the board..."



Sample information from 'UK Value Clothing Retailers 2007'

Chapter 8: mkone

Store Portfolio - mkone

- The mkone store portfolio has suffered from neglect over recent years, evident in the existence of seven different shopfits and varying sizes from 1,300 sq ft to 8,200 sq ft. As well as introducing a consistent and relevant shopfit CEO Dominic Galvin is working on a location plan – eliminating unprofitable sites, relocating to more profitable locations and opening new stores. In December 2006 he announced the company would dispose of 20 stores. The retailer hopes to resite some of these stores to bigger single floor units (approximately 4,500 sq ft).
- In the year to January 2007 three stores were disposed of, resulting in a 5.0% decline in sales space. We expect there to be further closures and resites this year, but there will also be openings, stores are opening in Middlesbrough and Corby and there will be more openings in 2008.
- mkone has introduced a new shopfit which provides clearer segmentation for its sub brands. The new concept was trialled in stores in Workington in Cumbria, Newport in South Wales, Maidstone in Kent, Worcester, Preston in Lancashire and Kirkcaldy in Scotland from October 2006. It divides the retailer's womenswear offer into three different areas: mainline; teenwear range Sophie; and Chapter. The retailer is expanding Chapter, its plus-size range, throughout the store portfolio following the success of this trial. The refitted stores also contain new fixtures at a variety of heights to improve sightlines.
- 55 stores will be refurbished in the year to January 2008 and the remainder of the portfolio will be refurbished in 2008. The refitted stores have produced significant uplifts in sales.
- The MK format launched by the former management in Spring 2006 and introduced to stores in Bishop Auckland, Cardiff, Gateshead, Londonderry, Nuneaton, Newcastle and Plymouth will not be rolled out.

Table 42: mkone store portfolio 1997-2008e

Year to January	Store Numbers	Sales Area 000 sq ft	Y-o-Y Change %	Average Size 000 sq ft	Sales per £ p.a
1997	80	160	14.3	2	426
1998	90	180	12.5	2	444
1999	100	200	11.1	2	354
2000	130	260	30	2	366
2001	146	292	12.3	2	353
2002	150	330	13	2.2	368
2003	161	354	4	2.2	397
2004	171	376	6.2	2.2	382
2005	176	387	2.9	2.2	374
2006	178	392	1.1	2.2	338
2007	175	372	-5	2.1	310
e2008	172	350	-5.9	2	319

Source: UK Value Clothing Retailers 2007

Order this report today to find out more...



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