

THINK RETAIL THINK VERDICT



UK Fashion Multiples 2008

Premium sector outperforming...

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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...

Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

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.

Global, European and UK analysis across nine core sectors...

Verdict Research reports covers nine core sectors, five year forecasts, strategic issues, key locations, How Britain Shops consumer surveys and the main European retail markets. Also available are a daily news service, weekly newsletter and tailored consultancy portfolios to suit individual business information needs.

Over 20 years of experience...

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

A key source for independent analysis and comment...

Verdict Research is regarded as a key source by the BBC, ITV, Sky News and the UK's leading broadsheets including the FT, Times, The Independent and Daily Telegraph. Leading trade publications often refer to Verdict's opinion and research including Retail Week, Drapers, DIY Week, Cabinet Maker and The Grocer.

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 Fashion Multiples 2008

Premium sector outperforming...

The clothing market is one of the most competitive and fragmented retail sectors and therefore smaller retailers have substantial influence in the market. UK Fashion Multiples 2008 profiles a representative sample of smaller, but influential, men's and women's fashion retail brands, and explores the dynamics, growth trends and drivers of the market.

This new report published by Verdict analyses the strategic trends among fashion multiples with detailed information on 10 of the most influential operators at different levels of the market and different stages of maturity providing a comprehensive picture of the key trends in the market and benchmark statistics.

10 Key Company Profiles

Fat Face	Monsoon
French Connection	Phase Eight
Hobbs	Reiss
Jane Norman	River Island
Inditex (Zara, Massimo Dutti and Bershka)	Ted Baker

This new report will enable you to identify and anticipate key trends in UK fashion multiples and benchmark your performance against the leading players...

Though it is the smallest segment of the UK market, the premium sector is taking the majority of growth in the market...

UK Clothing market performance by segment 2007e

	Y-o-Y Growth %	Market Share %
Total Clothing market	3.8	100
Value	8.9	24.6
Midmarket	-1.1	56.9
Premium	13.9	18.5

Source: UK Fashion Multiples 2008

"Niche retailers are outperforming the market and the 10 specialists profiled in this report highlighted this trend by collectively adding 4% points in 2007. Verdict estimates the premium segment grew by 13.9% in 2007, faster than either the value or middle market segments..."

- Identify market drivers and how the clothing market is changing.** Because of the fragmented nature of the clothing market, smaller fashion multiples are a key influence on market trends.
- Discover how key retailers are responding to market changes.** The smaller retailers profiled in this report are among some of the most influential. Understand how they are reacting to the major trends and the key influences on fashion multiples and what their responses are likely to be.
- Understand the growth strategies of successful retailers.** Detailed profiles and market share data identify who has outperformed in the market and how they have done so.
- Formulate strategic planning.** Utilise the data and analysis in this report to formulate strategic planning and benchmark your performance against key competitors.

UK Fashion Multiples 2008

This report answers key questions including...

- Which UK fashion retailers are expanding internationally?
- How will population shifts impact on UK fashion retailers?
- What are underperforming UK fashion retailers doing wrong?
- Which fashion retailers achieve the highest sales densities or have the greatest profitability?
- How will market trends affect UK fashion retailers?
- Which UK fashion retailers are the most profitable?

Key Retailer Data

Market shares of fashion retailers

Key operating statistics

Trading records

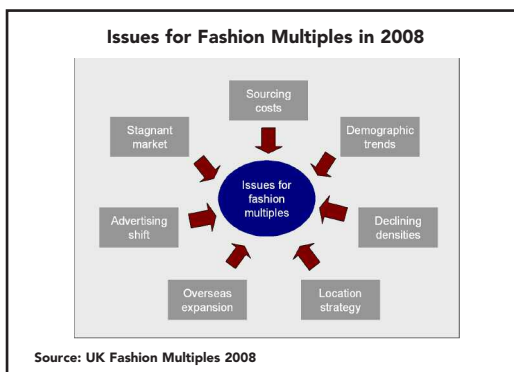
Operating margins

Store portfolio analysis

Retail proposition

Key issues examined in this report...

The slowing down of general market growth will force many retailers to make strategic changes to preserve their profitability...



"One of the most fundamental changes they will have to make is in their store opening programmes. Large new flagship stores, apart from those replacing existing smaller branches, will be less common. Investment priorities can be expected to shift towards refurbishment and improvements to back office systems that enable full price sales to be maximised and margins to be preserved..."

- **Household Income under attack.** In the past 2 years, real household disposable income growth has come under attack, with higher inflation and other factors like taxation eroding the growth seen at the beginning of this decade. Combined with rising non-discretionary costs in consumers' monthly budgets like mortgage payments, fuel and utility bills and even food, this slowdown has had a significant impact on discretionary spending categories like fashion.
- **Shifts in population trends will impact niche retailers because of their narrower focus.** Demographic trends in the next five years will have a particularly strong effect on niche retailers because they tend to be particularly focused on narrow age bands.
- **The growing internationalisation of fashion tastes has generated high potential for international growth for smaller fashion multiples.** The retailers in this report are almost all in the process of developing networks of stores in overseas markets.

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Location Strategy

- As transport becomes more and more problematical, with overcrowded roads, problems like parking and congestion charges and more expensive public transport as well, many consumers are likely to pay a premium for geographical convenience. There is likely to be greater development of fashion stores located in smaller nuclei with wealthy local catchment areas as customers seek to avoid long trips to big regional shopping malls or urban centres.
- The past decade has been a period of rapid development for airport retailing and this has been just as true for some of the younger or more casual-focused retailers, like French Connection, Fat Face, Ted Baker as it has been for more mainstream retailers like Monsoon. Compared with the high street or shopping centres, there is only limited potential here for further growth with few airports having the retail space and a sufficiently large and wealthy consumer base to support a wide variety of upmarket clothing stores. However, with airport expansion, more opportunities are emerging, most notably Heathrow Terminal 5, due to open in Spring 2008.
- Fashion retailers have been among the keenest to open new space in the wave of city-centre shopping malls that has opened across the UK in the past decade due to greater restrictions on OOT development. The most important developments in the coming year include Liverpool One, Eden in High Wycombe and Cabot Circus in Bristol. Until recently, stores in these centres have provided the most profitable opportunities for fashion retailers, with high levels of footfall and large store units in which to display the retailer's full range of fashion and lifestyle product. However, with rising rents, slowing consumer spending and falling footfall levels, retailers are likely to become increasingly cautious in signing up to large new stores.

Table 18: Selected Major Shopping Centre Openings 2008

Shopping Centre	Opening Date	Retailers in this report taking space
Eden High Wycombe	Mar-08	Monsoon, River Island, Zara, Bershka
Liverpool One	May-08	Jane Norman, Reiss (womenswear), Ted Baker
Cabot Circus Bristol	Autumn 2008	Hobbs, Monsoon, Reiss, Ted Baker, Zara, Bershka

Source: UK Fashion Multiples 2008

Overseas Expansion – Is it Profitable?

- As the particular niche audience that these chains have targeted in the UK becomes saturated through wider coverage, international expansion has become increasingly important. As consumer spending slows further in the UK market, this trend is likely to continue or even intensify as retailers aim to move into countries with untapped opportunities.
- Virtually all of the retailers surveyed in this report are in the process of major international expansion, the only real exception being Phase Eight. It is the smallest company profiled and is focused on exploiting remaining opportunities in the UK market.

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