

THINK RETAIL THINK VERDICT



UK Womenswear Retailers 2008

New model emerging as costs rise...

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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.

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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.

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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 Womenswear Retailers 2008

New model emerging as costs rise...

After a decade of price deflation, womenswear retailers are now faced with managing rising costs against a worsening economic backdrop. Womenswear evolves from a low price, low cost, high volume model to higher price, more exclusive product and lower volumes. A market saturated with space and choice translates into fewer operators and a shakeout of weaker players. Costs continuing to rise have the same effect of shaking out weaker operators.

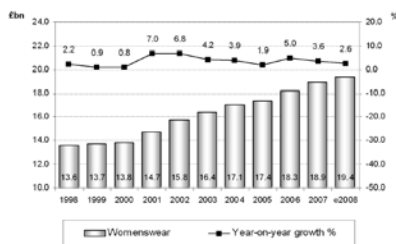
This new report published by Verdict Research profiles the 10 largest operators by market share, assessing how they are adapting their propositions in response to changing consumer needs. It includes analysis of individual brands in the Arcadia and Mosaic Groups and data on All Saints, Cult Clothing and Fat Face. The report also covers key operating statistics, distribution channels and market segment analysis.

10 Key Retailers Profiled

| | |
|-----------------|-------------------|
| Arcadia Group | New Look |
| Debenhams | Next |
| George (Asda) | The Peacock Group |
| Marks & Spencer | Primark |
| Mosaic Fashions | TK Maxx |

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

Consumer spend on womenswear and year-on-year growth 1998-2008e



Source: UK Womenswear Retailers 2008

"On the run up to Christmas more occasionwear styles with detail and embellishment became popular favouring premium and luxury retailers that invested in design detail. In 2008 Verdict expect that Autumn/Winter fashion trends will give a fillip to sales. However, though Autumn and Winter garments generate higher profit margins because of their inherently higher price points, retailers will have to invest in marketing and promotion to capture spending and this will erode these margins..."

- **Quantify key retail trends and future opportunities** using this report's company profiles detailing retail proposition, marketing and operations analysis and market outlook and five year trends in market share, sales, profits, sales densities, space allocation, space growth and store portfolios.
- **Benchmark your competitive strategies using the company profiles contained in this report** for key retailers including Arcadia Group (includes TopShop, Dorothy Perkins, Miss Selfridge, Wallis and Evans), Debenhams, George (Asda), Marks & Spencer, Mosaic Fashion (includes Oasis, Coast, Karen Millen, Warehouse and principles), New Look, Next, The Peacock Group, Primark and TK Maxx.
- **Assess the growth potential and the challenges facing the key womenswear retailers** with this reports in-depth analysis of market drivers, key issues and outlook.
- **Develop more effective strategic responses** using this report's actionable recommendations for how retailers must cope with the changing womenswear retail market.

UK Womenswear Retailers 2008

This report answers key questions including...

- Which segment of the UK womenswear market is showing the greatest growth potential?
- How can UK womenswear retailers optimise their positioning and increase sales and margins despite challenging market conditions?
- How can UK womenswear retailers adapt their strategies to ensure they are winners rather than losers?
- Which distribution channels are growing the fastest, including Internet sales?
- How fast is the UK womenswear market growing and what is happening with price deflation/inflation?

Key Market Data

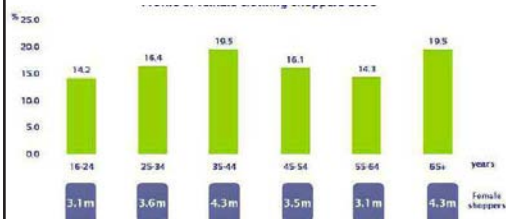
Five year clothing & womenswear market share data

Ten year clothing expenditure split by womenswear, menswear, childrenswear & accessories

Store numbers, space & sales densities for the ten largest womenswear retailers

Key issues examined in this report...

Profile of female clothing shopper 2008



Source: UK Womenswear Retailers 2008

"Verdict's annual survey of clothing shoppers, **How Britain Shops: Clothing 2008** reveals that the young family life stage between 25-44 years is a large market for retailers, primarily because females in this age group are big clothing shoppers. 91% of 25-34 year olds shop for clothing and 93% of 35-44 year olds. They are also key influences on menswear and childrenswear as they buy for the whole family and, being the main food shoppers, are prime targets for supermarket's clothing offers..."

- **Importance of fashion.** Often the most important influence on womenswear is fashion. Designers wield much more power than they are often given credit for. Being able to interpret trends into commercial ranges for real women, yet making them distinctive from competitors can make the difference between a winning company and a loser as the smaller brands have shown.
- **Positioning.** Despite occupying the largest segment the midmarket's share has dropped 11.2 percentage points since 2003. The performance of market leaders such as Marks & Spencer, Arcadia Group and Next, who have over a quarter of the market, has a significant impact on the midmarket.
- **Inflation.** Womenswear accounts for over half of the clothing market, but growth is slowing down while cost inflation increases. Rising manufacturing costs in the Far East, the high cost of oil affecting everything from textiles to transport and the weakening of the UK£ is leading to higher cost supply chains and expenses that are becoming more difficult to absorb.

UK Womenswear Retailers 2008

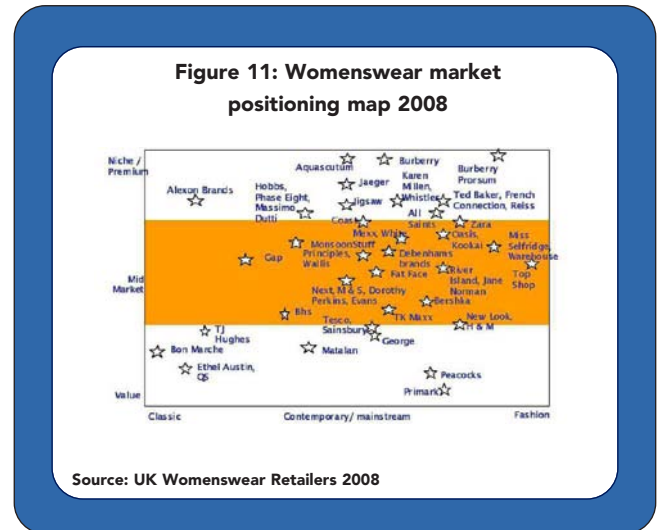
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- Though division by market share indicates what is happening in the clothing market, it is not so clear cut because the midmarket overlaps with both the value and premium ends. Supermarkets are straying into the midmarket with higher price points; TK Maxx, classed as a value retailer, offers higher price product at discount prices so falls into a higher position than, say, Matalan.
- There is a lot of activity at the top end of the high street from smaller chains with distinctive branding that sets them apart from mass market chains and price-led retailers.
- As larger retailers become more mainstream and widely available on the high street, consumers look to smaller retailers to satisfy their need for new and innovative clothing. These retailers offer ranges to complement individual lifestyles. They are investing in strong store environments to reflect niche product offers and gradually building a strong presence on the high street.
- One of the reasons their higher price points are justified is through offering uniquely designed product often with added detail and good quality fabrication. Alongside the clothing, they often offer footwear, accessories and beauty products that create a complete lifestyle branding.



Branding

- In an environment where gaining market share is going to be at the expense of competitors and consumers are becoming much more selective about where they spend their money, standing out from the crowd is vital. Being top-of-mind when clothes shoppers go shopping is crucial.
- There are a range of retailers that have developed distinctive brands that create a lifestyle that one does not actually live but aspires to, and are appealing to a wide range of consumers. Trends are: Surfing, sailing, carefree, leisure, e.g. Fat Face, White Stuff, Sea Salt. Initially based in market and coastal towns and aimed at holidaymakers, weekenders and leisure time, encapsulated in Fat Face's brand philosophy 'Life is out there', these retailers have moved into mainstream locations with a relaxed, but premium, lifestyle offer.
- Urban casual and aspirational leisure, e.g. Joules, Boden, Howies. Mail order ranges that appeal to the urban shopper that wants, or has, both a city life and a country home. Physical stores opening in affluent suburbs and market towns where its core customers live.

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