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# **UK Footwear Retailers 2009**

**Market heading for a major upheaval for specialists**

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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.

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.

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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.



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**Sir Stuart Rose**  
Executive Chairman  
Marks & Spencer

# UK Footwear Retailers 2009

## Market heading for a major upheaval for specialists...

UK footwear could see the biggest shakeup in 2009 since the death of the British Shoe Corporation in the mid 1990s. A large part of the lower and middle price footwear business faces the risk of collapse, leaving only a few large scale specialists and more premium and fashion-led players surviving. This situation however does leave considerable consumer expenditure for others to capture.

This latest report from Verdict is a comprehensive account of the UK footwear market with detailed analysis of expenditure trends, market dynamics and the outlook for retailers in the sector. It includes market sizes, growth trends, unique market share data and detailed profiles on 18 of the leading players, including key operating statistics – vital measures of success in a challenging period.

### 18 Key Company Profiles

Brantano	Faith
C&J Clark	Office
Kurt Geiger	Schuh
JJB Sports	George (Asda)
JD Sports Fashion	Marks & Spencer
Sports Direct International	Next
The Shoe Studio	New Look
Shoe Zone Group	River Island
Stylo	Tesco

## Tap into future market trends, benchmark performance against key competitors and understand your rivals' strategies with this new report...

**Footwear market dynamics 2009**

Source: UK Footwear Retailers 2009

**"Collapse in consumer optimism.** A period of high inflation on basic items like food and fuel, restricted credit availability and an upturn in unemployment figures has severely dented consumer optimism. Almost all non-food spending has been hit, with clothing and footwear both likely to be seen by consumers as an 'optional extra' rather than part of their core spending needs – and cut back on accordingly..."

- **Quantify key retail trends and accurately predict future UK footwear retailing growth** with the historical and forecast market value figures as well as analysis of key drivers and action points to plan for the future in this challenging market.
- **Benchmark your performance against key competitors** with this report's key operating statistics, space allocation and channel developments of 18 leading footwear retailers.
- **Understand the growth strategies of successful retailers** using the ten years of expenditure and six years market share data (including full-year estimates for 2008). Identify who has outperformed the market and how with in-depth company profiles.
- **Identify the key developments in the UK footwear market using** detailed analysis of market issues including price and cost inflation, store strategy, EU tariffs, multichannel retail and main threats faced in the market.

# UK Footwear Retailers 2009

## This report answers key questions including...

- How will UK footwear retailers be impacted by the drying up of venture capital funding?
- Who were the main winners and losers in the UK Footwear market in 2008?
- Which product segments are experiencing the fastest growth in the UK footwear market?
- Who will be the casualties in the UK footwear market in 2009?
- How are spending trends in UK footwear market changing and how is this affecting retailer strategy?

### Key Market Data

10 year expenditure data

Retailers' market shares & trading records

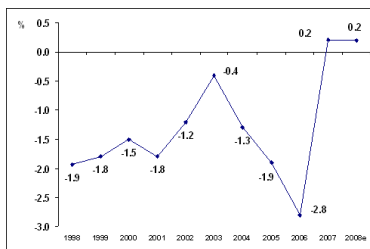
Sales densities & operating margins

Product space allocation

Advertising spend

## Key issues examined in this report...

Price deflation/inflation in the footwear market 1998-2008e



Source: UK Footwear Retailers 2009

**"The imposition of anti-dumping tariffs on imports of leather footwear from China and Vietnam in 2006 was the main cause of the end of deflation in the footwear market in 2007.** These tariffs were maintained in 2007 and into 2008 and in October 2008 the European Union decided to extend them, helping to keep a floor under prices for the rest of the year and into 2009, particularly at the budget end of the market..."

- **The footwear market will be heavily impacted by the absence of Venture Capital funding.** Venture Capitalist backing has been a key driver of growth in the footwear market but now the sector does not present a lucrative investment for Private Equity firms. This will contribute to the stalled growth of the sector.
- **Impact of the downturn.** Consumers are increasingly selective about where and how they spend their dwindling discretionary income. It has been said that many people are repairing and polishing old shoes rather than buying new ones. Therefore footwear retailers must think of innovative ways to attract footfall and have an outstanding product.
- **Cost and price inflation severely impact profitability.** All of the footwear retailers in this report have relatively low operating margins when compared to other clothing retailers. UK Footwear companies have also suffered from the depreciation of the sterling in relation to the US Dollar. Low consumer confidence has made it difficult for retailers to pass these costs on to customers.

# UK Footwear Retailers 2009

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## Chapter 2: Outlook

### Success Factors for Non-specialists

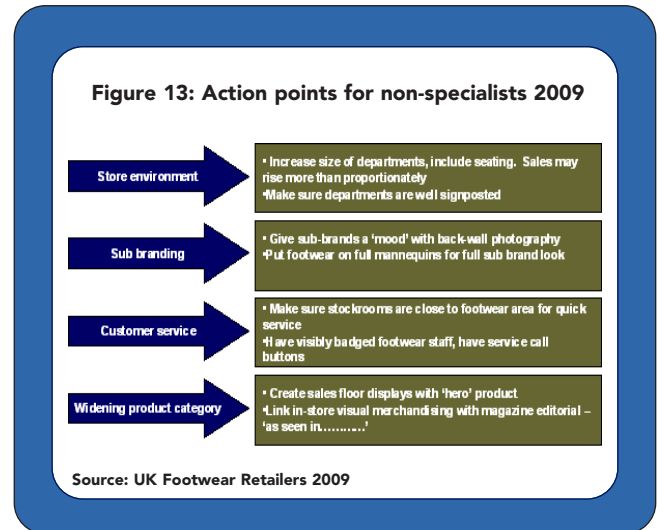
- Clothing retailers have continued to make share gains in the footwear market, but much more slowly than before, mainly as a result of the troubles being experienced by Next and M&S.
- Many clothing retailers continue to treat footwear as a secondary category compared with the rest of their offer, giving them either cramped space allocations or unattractive fixturing. Often footwear departments lack either service or sufficient seating for customers to try shoes on.

### Success factors for Sportswear Specialists

- Sportswear specialists face possibly the toughest environment of all the footwear sectors due to the declining popularity of some mainstream sports footwear, over distribution and heavy discounting.
- Creating product desirability and excitement is absolutely paramount. Many brands have been devalued by lack of exclusivity and attempted launches of own label ranges are often too downmarket.
- Survival will also depend on managing cash resources extremely carefully. A credible survival plan concentrating on core business will be crucial to present to financial backers and bankers.

### Market into 2009

- Verdict expect the market in 2009 to show little growth and with margins under pressure, the objective as far as most retailers are concerned will be to maximise profitability from existing sales. This will require examination of every detail of their business model, from sourcing right through to store portfolio and staffing to examine where profit margins are greatest.
- This will not necessarily mean cutting back expenditure, but possibly redirection of spending. For instance store relocations and refurbishments could be a sounder strategy than opening in new locations to maximise profit per square foot. The best placed retailers will have the most efficient back office systems for every single process, from sourcing to stock merchandising and staff scheduling.
- Surviving retailers are likely to find consolidation may take significant capacity out of the market, possibly easing competition in 2010. If consumer conditions improve, the footwear market may see a recovery in profitability.



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