

THINK RETAIL THINK VERDICT



UK Lingerie & Underwear Retailing 2009

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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.



UK Lingerie & Underwear Retailing 2009

Shapewear provides support as sector shrinks for first time in 20 years...

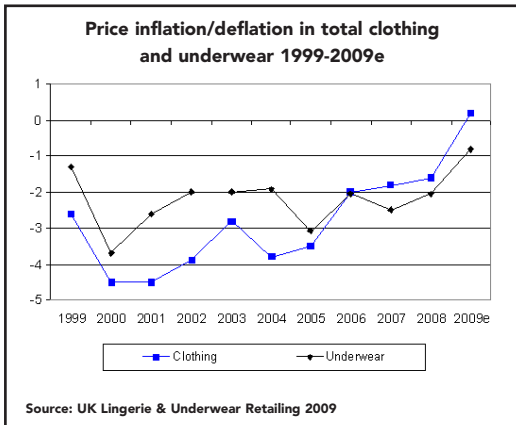
2009 is set to bring an abrupt halt to years of buoyant sales growth in lingerie and underwear as the recession brings a new era of frugality. Underwear specialists in particular face growing competition from non-specialists and the likes of Primark and Asda's George at the value end of the market, as consumers make more considered purchases and opt to trade down. Competition is intensifying as clothing specialists, grocers and department stores grow their exposure to the market and retailers face cost pressures driven by sterling's decline in value.

This latest report from Verdict Research provides in-depth insight into emerging trends in the underwear and lingerie sector and examines the key issues retailers face as the sector enters an increasingly uncertain period. The report includes detailed analysis of the key players, and examines opportunities and threats as well as market value, retailer shares and dynamics.

9 Key Retailer Profiles

Ann Summers
 Arcadia Group
 Asda (George)
 Debenhams
 House of Fraser
 Marks & Spencer
 La Senza
 Primark
 Tesco

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



"Up until 2006 deflation was not as deep in underwear as clothing. This is due to the impact of value retailers being felt hardest in the outerwear sector, generating less pressure to reduce prices in underwear, though some was still felt. However, more recently, as value retailers have started to open larger stores they have dedicated more space to underwear offers. This has driven more deflation in underwear than in clothing from 2006 onwards..."

- **Analyze key retailers recent performance** and the strategies employed to drive future growth.
- **Benchmark your performance against key competitors** with this report's key operating statistics, space allocation and sales densities of nine leading underwear retailers.
- **Assess how slowdown in consumer spending will affect UK underwear retailers** and how retailers can respond.
- **Identify the key issues facing the underwear sector** such as how changing body sizes will affect the market going forward and how lingerie specialists can respond to the growing threat from clothing specialists, online players and grocers.

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This report answers key questions including...

- How has the current economic downturn affected UK lingerie retailers?
- Which UK retailers are more likely to do well in the current economic climate?
- What threats are UK lingerie specialists facing at present?
- Who is gaining or losing market share in the men's and women's UK underwear market?
- How will the growing online market affect how underwear is bought and sold?
- Which channels of distribution are growing in the UK underwear market?

Key Market Data

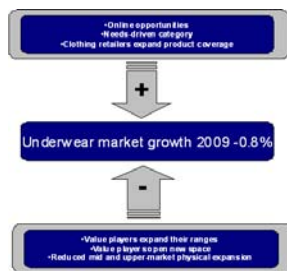
Five year expenditure data on the men's, women's & total underwear market

Total underwear sales from individual retailers & market shares

Sales densities, operating margins, underwear sales densities, sales area & store numbers

Key issues examined in this report...

Lingerie and underwear sales fall in 2009



Source: UK Lingerie & Underwear Retailing 2009

"2009 promises to be a challenging year for all retailers.

However, some sectors are more protected than others in the global economic downturn. Underwear for example is largely needs driven and it is the more expensive, luxury items that are purchased more on a wants basis. As a result we believe the market has characteristics that make it resilient, at least to some extent, to recessionary pressures..."

- **Online is an opportunity for growth.** Online lingerie sales growth has been consistently strong over the last six years. However, this sector has inherent pitfalls, such as an inability to try on before you buy or how to merchandise its products.
- **The threat of the grocers.** As grocers look to enhance their non-food offer through opening more space and the launch of new non-food only fascias, clothing and lingerie are areas they are likely to expand in. This poses a series of threats to lingerie specialists.
- **Changing customer dimensions will generate demand for particular products.** With more programmes showing how to use clothes to change your appearance, shapewear has enjoyed strong sales growth recently. Also, the greater prevalence of plastic surgery is stimulating demand for bras with larger cup sizes.
- **Underwear should be a resilient market during the current downturn.** As a needs-based product with a short life cycle, underwear sales should hold up well going forward. While top-end specialists may feel the pinch from mid-market retailers, their niche position should help them through the downturn.

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Threat From Grocers

- Grocers, in particular Asda and Tesco, pose a real threat to underwear specialists with their expanding ranges and growing store footprints. First, they continue to devote more space to clothing and underwear instore as both retailers expand existing branches through extensions – including mezzanines which facilitate shop-in-shop departments. With more space added to stores, clothing departments have grown larger, giving more space to underwear and lingerie.
- The development of non-food only stores under the Asda Living and Tesco Homeplus fascias has further expanded the retailers' clothing offers and, more importantly, given new growth opportunities as both chains find it increasingly tough to expand their grocery store footprints. These stores, still in their infancy, are set to pose a greater threat to underwear specialists going forward. However, located in retail parks they compete less directly with specialists and more with department stores and clothing specialists such as Next.
- Besides just location and physical expansion, grocers have been enhancing their clothing offers with Asda for example relaunching the George label in late 2008. With the aim of appealing more directly to its core shopper through simplified ranges, improved quality and better instore graphics, George has ambitious aims of regaining its position as the number one volume clothing brand from Primark by 2011. Tesco also has ambitious targets for its F&F and Cherokee brands.
- Enjoying strong growth with its TU collection, Sainsbury is set to pose a greater threat going into 2009. From a smaller base than its two key rivals, with the range available in just 283 stores (in October 2008) and the full offer available in just 24 branches, TU has considerable expansion opportunity. With Sainsbury set to increase its focus on non-food, TU is likely to form the cornerstone of its growth and with the brand reaching new heights of recognition as it expands into homewares it is to become a more pronounced authority in the market. Sainsbury aims to expand its clothing offer into 300 stores by 2010.
- However, underwear specialists are insulated to an extent from the value-based offer of grocers because they are largely midmarket to upmarket. Specialists' higher positioning has more direct appeal to affluent customers and their competitive strengths lie in range, quality and service. However, midmarket players are arguably the most exposed to strained consumer finances and are at the greatest risk of losing shoppers seeking value-based alternatives.

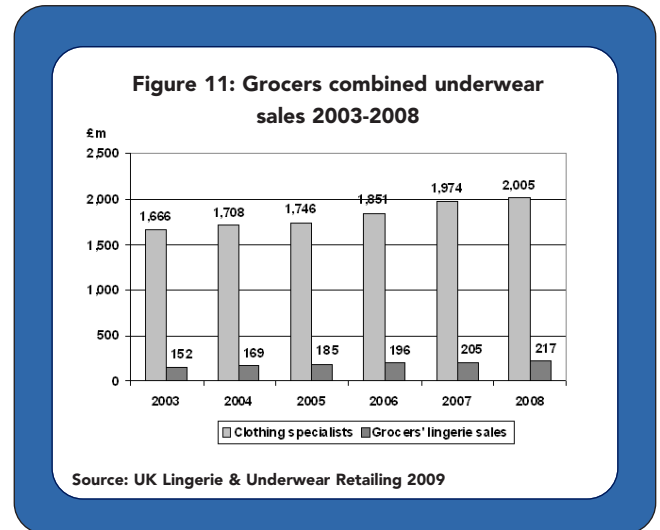


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