

Profiling the Value Retailers

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An H&M store.
Photo By Courtesy Photo

Stores, like people, have personalities.

Whether that personality determines the customer, or the customer the personality, is one of those chicken versus egg questions that's a matter of perennial debate (well, at least among retail nerds). And it's not only the high-end stores that have distinctive styles — the mass crowd does, too. Contrast the white linoleum and bright lighting at Target to the oft-dingy feeling at some Wal-Marts, or the pile-it-high feeling at Forever 21 to the more restrained sense of Zara. Then there is Carrefour, which no matter how big still has a French élan, versus British hypermarket operator Asda, which seems to take all its leads from Wal-Mart, its parent.

H&M

Officials at H&M, which has more than 2,000 stores around the world, are fond of repeating its mantra: "Fashion and quality at the best price." The Swedish fast-fashion giant's stated aim is to dress women, men, teens and children for every occasion. Hence, its women's collections range from basics like T-shirts to tailored classics like black pants, via sportswear, maternity clothes and avant-garde items inspired by style icons du jour like Lady Gaga.

The Divided collection is aimed at younger consumers, with a heavy emphasis on denim, street fashions and funky accessories. Children's clothes aim to combine practicality with fashion flair and cater to three age groups: zero to 18 months; 18 months to 8 years, and 9 to 14 years.

H&M, which had sales last year of 118.69 billion Swedish krona, or \$16.07 billion, is credited with popularizing high street-designer collaborations, as well as low prices, constantly changing inventory and a lightning quick supply chain. Since 2004, it has recruited the likes of Karl Lagerfeld, Viktor & Rolf, Stella McCartney, Roberto Cavalli, Comme des Garçons and Jimmy Choo to design limited edition collections that routinely draw hysterical throngs. In addition to selling clothes designed by Madonna and Kylie Minogue, H&M has enlisted celebrities including Rihanna, Jade Jagger, Timbaland and Katy Perry to design tops for its Fashion Against AIDS collections. The retailer is also committed to increasing its use of sustainable fabrics like organic cotton, recycled polyester and tencel through initiatives like its recent Garden Collection.

Metersbonwe

To call China's mass-market casual apparel field crowded is a massive understatement. By keeping its head down, Shanghai-based Metersbonwe has managed to come out ahead. The company has around 1,800 stores across the country, is the market leader in lower-priced casualwear with estimated sales of 4 billion renminbi, or \$590 million, yet still holds less than a 2 percent share of the market.

How have they done it? According to Cai Minxu, the company's media affairs manager, the success of Metersbonwe — which sells nothing but apparel, shoes and accessories — has come from a tightly managed supply chain, deep sales network and a clear message to customers. Though its long-standing slogan is "Be Different," the company mainly sells clothes designed to help teens and college students fit in with their peers — a very important attribute for the majority of China's youth.

Cai said the company aims to double market share in coming years, with new campaigns and new reach. But the core message won't really change. These are real clothes, at good prices, for the youth.

"People ask what is the distinguishing feature of Metersbonwe," said Cai. "I say the distinguishing feature is that it doesn't

have a distinguishing feature. We will move forward in the goal of having 'no distinguishing feature.'"

Dollar store format

One of the few retail sectors that expanded during the recession, dollar stores opened units at a fast clip. The dollar chains compete against discount supermarkets such as Aldi and mass retailers such as Wal-Mart.

While the dollar store category is heavily invested in food and consumables, it's been making strides with apparel and beauty. Dollar General's proprietary brand, Bobbie Brooks, is manufactured by Gildan, which also makes Open Trails for men. The chain added Hanes in March. Dollar General Corp., which has sales approaching \$12 billion, opened 207 stores last year and now operates over 8,800 units nationwide, most averaging about 7,000 square feet.

Family Dollar Stores Inc., which has 6,700 stores in 44 states, has been launching national apparel brands in an effort to boost the category, which accounts for 10 to 12 percent of sales, which totaled \$7.4 billion last year. Family Dollar in 2007 bought the Bugle Boy brand.

Dollar Tree Inc., with sales of \$5.2 billion, is expanding Deals, a 160-store chain it bought in 2006, with 25 new Deals units this year. At Deals, prices are more than a buck, giving Dollar Tree an opportunity to sell merchandise it can't sell at the restricted prices of its self-named stores.



Topshop Manhattan store.

Photo By: Kyle Ericksen



A look from Primark

Topshop

Over the past decade, Topshop has set itself apart from the rest of the British high street. The retailer's initiatives include sponsoring young London-based designers, who in turn design collections for the store; setting up nail bars and hair salons in its stores, and tapping Kate Moss to design her first clothing collection. "Topshop has a very strong positioning as a trendsetter," said Sarah Peters, senior retail analyst at Verdict in London. "It innovates and has its own take on trends." The chain, which has more than 300 stores in the U.K. and 100 more around the world, is part of Sir Philip Green's Arcadia Group.

Topshop is known for both intently following and creating trends. Peters at Verdict noted its customers are "less price sensitive as it's so fashion led." According to Verdict, Topshop has an estimated 1.8 percent of the U.K.'s clothing market share by value. And it has lots of projects for fall. This season, Topshop will produce three Central Saint Martins masters graduates' collections for retail. The pieces by Lilly Heine, Matthew Harding and Simone Rocha will be available solely from Topshop's flagship on Oxford Street. The retailer is also planning a new 40,000-square-foot space to open at the Westfield Stratford City mall, near to the London Olympic Games site, which will open in 2012. It also is pushing further into continental Europe and the Far East, although the jury is still out on its U.S. expansion. The company has one store, in lower Manhattan, and Green is said to be on the prowl for sites in both New York and Los Angeles.

Primark

This fast-fashion chain, which now counts 200 stores in countries including the U.K., Ireland and Spain, is known for its ultralow priced yet fashion-forward offer. The chain originated in Dublin in 1969 as Penneys, and launched in the U.K. in 1973, where it began trading as Primark. Since then, the retailer has steadily expanded in the U.K., and in recent years has taken over large vacant spaces from chains whose business models haven't fared as well. Primark made a particularly big retail splash in 2007, when it opened a 70,000-square-foot flagship on London's Oxford Street (previously, Primark chiefly operated in local, less visible retail locations). Prices at the retailer are as little as 5 pounds, or \$8, for a

Photo By: Courtesy Photo

lingerie set, while skinny jeans retail for 12 pounds, or \$19, and a fake fur coat retails for 27 pounds, or \$42.

The retailer — part of Associated British Foods, owned by the Weston family that also controls Selfridges, Holt Renfrew and Brown Thomas — has recently been ramping up its design credentials. Later this month, Primark will launch its fourth Limited Edition women's wear collection, which includes items such as military-inspired lace shirts, tweed jackets and corseted dresses, which are priced up to 30 pounds, or \$47, and are available for a limited time in 12 key Primark stores. In May, the retailer introduced a line of men's T-shirts designed by Ben Allen, a British graphic designer.

However, the store's low-price philosophy has brought scrutiny to Primark's sourcing strategies. The British press routinely launches investigations into the ethics of Primark's suppliers and manufacturers, both in the U.K. and further afield. In response, Primark has launched an ethical trading code of conduct, with targets such as conducting supplier workshops in Bangladesh, China, India, Turkey and the U.K.

Shimamura

It may lack the international name recognition of its rival Uniqlo, but Shimamura Co. Ltd. is another major player in the world of mass-market retailing in Japan.

The company, founded in 1953, operates five different retail brands but Shimamura's namesake chain is the mainstay of the company's business. Its 1,162 locations are concentrated in suburban and rural areas of the country rather than in the centers of major cities such as Tokyo and Osaka.

Shimamura offers low-priced casual basics like denim, T-shirts and khakis, as well as shoes for men, women and children. A recent sales flyer featured items like a woman's knit poncho for 2,900 yen, or about \$34, and a double-collared men's cotton shirt for 1,470 yen, or about \$17.

Shimamura Co. Ltd. recorded sales of 429.65 billion yen, or \$5.02 billion at current exchange, for the year ended Feb. 20, up 4.6 percent from 2009.

The company's other retail formats include Avail, which delivers trendier fare to young men and women, and Chambre, which sells casual women's apparel and accessories, as well as a range of stationery, cosmetics and other items.



A Uniqlo ad

Uniqlo

Consumers outside Japan may consider Uniqlo to be a cutting-edge fast-fashion brand, but the company's profile on its home turf is definitely more down market.

The brand, owned by Fast Retailing Co. Ltd., operates a network of 789 stores in Japan, and is very much a discount-oriented retailer intent on pushing as much volume through its stores as possible. That means slashing prices to bargain basement levels and distributing sales flyers in the nation's newspapers to get people in the door.

Although Uniqlo has teamed up with the minimalist Jil Sander for a new brand called +J and it has rolled out some innovative retail concepts over the years — like selling T-shirts in plastic tubes — the brand's cheap, democratic image is still very much intact. There is even a half-joking expression in Japanese for the shame one feels from being caught in Uniqlo clothing: "Unibare."

Yet it's clear that shame isn't keeping consumers away — especially at a time when shoppers are cutting back on spending. Uniqlo's sales performance so far this year has been uneven, causing some to question whether the brand's momentum is faltering, but Fast Retailing still expects to post sales of 815 billion yen, or \$9.52 billion, for the fiscal year ending in August. That represents an increase of 19 percent from last year.

Photo By: Courtesy Photo

And as Uniqlo keeps pace with its fast-fashion rivals, opening stores from China to the U.S., it's all part of founder and chairman Tadashi Yanai's long-term goals: to grow Fast Retailing Co. Ltd.'s sales seven-fold to \$54 billion by 2020 and to revolutionize the way consumers shop for clothes.

Wal-Mart

Wal-Mart has been struggling for years to find its apparel comfort zone, veering from basics to trendy looks and back, depending on the strategy du jour. There have been recent efforts to introduce brands with more currency in juniors, including an exclusive Miley Cyrus & Max Azria line and the relaunch of Op.

Wal-Mart offers low-cost basics supported by well-known national brands, some of which — like L.E.I., Starter, Op and Danskin — are exclusive. It also has linked with Norma Kamali to develop a lifestyle brand that includes women's wear, children's clothing, accessories, footwear and home.

However, consumers overall seem to reject the idea of Wal-Mart as a place to buy fashion, and the retailer devotes less attention and floor space to apparel than rival Target. As a category, apparel accounts for 10 percent of Wal-Mart U.S.' \$258.3 billion in sales, while Target counts on apparel for 40 percent of sales.

Eduardo Castro-Wright, former vice chairman and ceo of Wal-Mart U.S. stores said in June. The company's future efforts in apparel, would focus on commodity items such as socks, underwear and T-shirts, which could come in a variety of colors.

But the direction of Wal-Mart's apparel business remains uncertain. Castro-Wright, who maintains the vice chairman title, on July 29 relinquished his job as ceo of U.S. stores and became president and ceo of global.com and global sourcing, setting in motion a string of resignations that included John Fleming, the architect of the initiative to bring more fashion and interest to the apparel department. Bill Simon was named Castro-Wright's successor. Also a casualty of the management shuffle was Dottie Mattison, U.S. apparel chief, who left Wal-Mart in June amid sluggish sales. Lisa Rhodes, who was hired in January to oversee merchandising for women's apparel and jewelry and reported to Mattison, will now take charge of the business. Rhodes' challenge will be to revive Wal-Mart's apparel sales by walking the fine line between boring and glitzy.

Forever 21

Forever 21 isn't so much a fast-fashion store as a fast-fashion supermarket. This is especially true of the retailer's newly opened 91,257-square-foot Times Square flagship and other large stores.

When an 85,000-square-foot Forever 21 opened in January in a former Mervyns location in Los Cerritos Center in Cerritos, Calif., Forever 21 executives dubbed the format the "emporium" concept, explaining it offers a larger selection of lingerie, swimwear, shoes and plus-size apparel than its average stores of about 40,000 square feet can accommodate. The emporium's evolution is apparent in the Times Square flagship, where various Forever 21 collections are housed in shop-in-shops. It's a big improvement over the chaotic environment of smaller, older Forever 21 stores that have little in the way of merchandising or delineation between the different in-house brands.

Founder and ceo Don Chang said the company is growing its store fleet and expanding product categories, and stressed Forever 21 has styles for a wide range of tastes and ages, even though it has been identified with the teen and tween markets.

Chang's daughters, Linda, the 28-year-old senior marketing manager, and Esther, the 23-year-old visual manager, have taken a more visible role in the company, which they joined a year ago. The sisters have been credited with tapping into the zeitgeist of younger consumers. Don Chang's projection for the Times Square flagship is \$100 million-plus in sales in the first year. Times Square is not Forever 21's largest store. That designation goes to a unit at Riverside Plaza in Riverside, Calif., which opened last year and has 184,234 square feet of space. In second place is a 125,000-square-foot store in a former Dillard's at the Fashion Show Mall on the Las Vegas Strip.

Forever 21 has regularly been criticized by designers for copying their styles, which the retailer has denied. It has begun aping rivals H&M, Target and Topshop, though, by forming designer partnerships — although it has a long way to go. Its first deal is with Brian Lichtenberg, known for his crime-scene tape design for Lady Gaga's "Telephone" video, who designed a



Forever 21 styles
Photo By: Courtesy Photo

series of graphic T-shirts for Forever 21, in stores this month.

Carrefour

As the world's second largest retailer behind Wal-Mart Stores Inc. with sales last year of 96 billion euros, or \$123.1 billion, Carrefour has a naturally dominant position in the apparel market. The group tied with Galeries Lafayette as France's top retailer in terms of market share in a survey of clothing consumption by the French Fashion Institute (IFM) covering the period of September 2008 to August 2009.

But Carrefour has lagged its fast-fashion competitors and last year ended its collaboration with Max Azria to bring a fashionable edge to the retailer's in-house label Tex, which is sold in the company's out-of-town hypermarkets, where women make up 80 percent of footfall.

Chief executive officer Lars Olofsson, who came on board early last year, has launched a wide-ranging reshuffle to make Carrefour more competitive and is testing new concepts for its underperforming hypermarket business, which will be presented to investors in greater detail in mid-September. Olofsson said earlier this year that the revamp would include a radical overhaul of the apparel division, involving a shift to a shorter cycle in order to supplement Carrefour's casual basics with more fashion-forward offerings. However, the ceo added the new fashion

direction would not take shape before 2011 or 2012.

John David Roeg, head of the Western European retail team at ING in Amsterdam, noted fashion was not a core category for Carrefour in the way that it is for Target, for instance. "Without fashion, there is no Target. Carrefour is more based on food. In the past, they had a lot of tailwinds with their fashion, there was not a lot of competition. But you know, Target has formidable competitors in the U.S. for fashion, and still they're doing pretty well," the analyst said. Carrefour, on the other hand, is losing market share in apparel, he said. "They perhaps have a leadership position in terms of total sales, but not in terms of the money pool. They're not as profitable as the competition," said Roeg.



A look from Tesco

Tesco

Tesco is currently the U.K.'s largest nonfood retailer, notching up nonfood sales of 13.1 billion pounds, or \$20.5 billion at current exchange, in the year to Feb. 27. Of that, 1 billion pounds, or \$1.6 billion, was made up of clothing, and the category grew by 7.3 percent over the year, helped by a growth in children's wear and the launch of Tesco's online clothing store.

Tesco's best-known clothing brand is its F&F line, which aims to offer fashion-led looks at low prices. Current key pieces include a floral printed heart cut-out F&F dress priced at 22 pounds, or \$35 at current exchange; sequin scarves at 3.75 pounds, or \$6, and a jersey bandeau dress at 8 pounds, or \$12.50.

However, the retailer isn't shy about introducing pricier items to its customers. In March, Tesco launched F&F Couture, a 16-piece collection with items such as a puffball polyester dress priced up to 140 pounds, or \$219. "F&F Couture signifies a new era for supermarket fashion," said Jan Marchant, buying director of Tesco Clothing, when the line launched. "It's a high fashion-led range which will enable us to meet the increased desire for affordable yet high-quality clothing."

In addition to F&F, the retailer carries brands including Mischa Barton's line of handbags and accessories, lingerie designed by the model Caprice and Ruby Rocks, an occasionwear label.

Photo By: Courtesy Photo

Tesco has lately been expanding its clothing outside the U.K. In 2010, the company introduced the range to four Asian markets, including South Korea and Thailand. And last month Tesco said it would open its first F&F store in the Palladium Centre in Prague in October. The store will be branded as F&F and will not have any Tesco branding. "In central Europe, F&F is seen as a fashion brand in its own right," said Jason Tarry, F&F clothing's international ceo. "If [the store] is successful we may roll the concept out worldwide."