

DRESSED TO THRILL

Apparel retailers find that top-notch service and fresh designs keep customers coming back.

BY JENNIFER GILL » ILLUSTRATIONS BY FLYING-CHILLI.COM

CASH REGISTERS have been busy at apparel retailers. In 2006, U.S. shoppers rang up \$190 billion in clothes purchases, a 5.1 percent increase from 2005, reports market research firm The NPD Group Inc. ¶ Many trends are affecting sales: For one, consumers are buying clothes closer to the season when they need them, says Kay Krill, president and CEO, ANN TAYLOR STORES CORP. (ANN). “Gone are the days when a woman purchased a wool coat in August,” she notes. “The ‘wear now’ component is critical to our assortment.” Stores also entice consumers with new services. J. CREW GROUP INC. (JCG) says it opened a store in Madison, Wis., last October that offers private-shopping appointments and a concierge

service that delivers clothes to its customers’ doors. TWEEN BRANDS INC. (TWB) says that in April 2006 it began hosting birthday parties geared to seven- to 14-year-old girls in its Justice apparel stores; the nearly 55,000 attendees so far, says Chairman and CEO Michael Rayden, each received a 15 percent discount coupon, plus party accessories. ¶ Stiff competition and rising expenses will likely lead to consolidation, explains MEN’S WEARHOUSE INC. (MW) Chairman and CEO George Zimmer. The company says it acquired After Hours Formalwear from Federated Department Stores (now called MACY’S INC. [M]) this year. “With costs rising faster than comparable store sales, what do you do?” Zimmer asks. “Consolidation is one of the answers.”

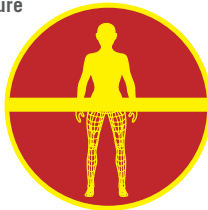


Shopping Statistics »

Despite the rise in online shopping — consumers spent an average of 95.6 minutes per month browsing for apparel online in the fourth quarter of 2005, up 15.8 minutes from a year before, reports trade association Cotton Inc. — research indicates that shoppers still enjoy browsing the racks. The average woman shopped 2.3 times a month for apparel in the fourth quarter of 2005, up from 2.2 times per month a year earlier, reports Cotton Inc. The International Council of Shopping Centers reports that roughly half of the 150 lifestyle centers — upscale open-air malls located near affluent neighborhoods — that dot the U.S. today opened in the past five years, and roughly 40 more are in the pipeline. Lifestyle centers often resemble a small-town Main Street, with high-end apparel boutiques, restaurants and movie theaters making them multipurpose destinations that appeal to busy consumers, notes Ann Taylor’s Krill. “I find lifestyle centers more convenient, especially when my time is limited or I have my children with me,” she says. “In these instances, getting in and out is much easier.”

PERFECT FIT

The apparel industry may be closer to finding the perfect fit. [TC]², a nonprofit trade organization that researches emerging technologies for the sector, says it has created a 3-D body scanner that employs white-light technology to capture and record every angle of a person's body within seconds. According to researchers, the scans can be used for product development, for custom tailoring, and to recommend size and style options. [TC]² says it has worked with technical designers at Victoria's Secret, a division of LIMITED BRANDS INC. (LTD), to scan 1,400 women across the U.S. to help refine the sizing and fit of the lingerie retailer's bras.



CLOTHES THAT SAVE GAS

More than 40 percent of active consumers would like to buy apparel that's eco-friendly, according to a survey by UNIFI INC. (UFI), a U.S.-based producer and processor of textured yarns. To meet that demand, Unifi says it has developed a new polyester yarn called Repreve that's made of 100 percent recycled materials. The production of each pound of Repreve represents 61,000 fewer British thermal units than it would take to make the same amount of virgin polyester yarn and saves the equivalent of a half gallon of gas, the company notes. Activewear made with Repreve has the same performance characteristics as clothes made with petroleum-based yarn. Unifi says Patagonia and other retailers are carrying a new line of eco-friendly apparel made of Repreve-blend Polartec fabric.



CUSTOMER DATA

The cash registers at SAKS INC. (SKS) will soon do more than ring up purchases, says CEO Stephen I. Sadove. The company reports that it is introducing an Internet-based point-of-sale system that will make customer data more accessible on the sales floor. For example, Sadove explains, a sales associate can retrieve a client's purchase history to assist him or her with sizing and selection. "At the touch of a button, we'll have information about our customers so we can better serve their needs," he says. More than 20 Saks stores will have the new technology by the end of the year, Sadove notes, with a complete rollout planned by 2008.



Apparel Retailers*

COMPANY	MARKET CAP (BIL \$)**	HEADQUARTERS	QUICK FACTS
ABERCROMBIE & FITCH (ANF)	6.37	New Albany, Ohio	Casual-apparel retailer with more than 960 stores in North America under four brands
AEROPOSTALE INC. (ARO)	2.17	New York, N.Y.	Mall-based retailer of casual, youth-oriented apparel with more than 740 stores in the U.S.
AMERICAN EAGLE OUTFITTERS INC. (AEO)	5.65	Warrendale, Penn.	Retailer targeting 15- to 25-year-olds that operates 914 stores in the U.S. and Canada
ANN TAYLOR STORES CORP. (ANN)	2.28	New York, N.Y.	Women's specialty apparel retailer with 878 Ann Taylor, Ann Taylor LOFT and Ann Taylor Factory stores
BROWN SHOE CO. INC. (BWS)	1.09	St. Louis, Mo.	Footwear wholesaler and retailer with 1,289 stores in North America
CHICO'S FAS INC. (CHS)	4.29	Fort Myers, Fla.	Specialty women's apparel retailer with 930 U.S. outlets, including Chico's and Soma Intimates
CHRISTOPHER & BANKS CORP. (CBK)	0.61	Plymouth, Minn.	Owens 785 women's apparel stores in the U.S., among them Christopher & Banks, C.J. Banks and Acorn
DILLARD'S INC. (DDS)	2.79	Little Rock, Ark.	Operates 330 Dillard's department stores primarily in the Southeastern, Midwestern and Southwestern U.S.
DSW INC. (DSW)	0.57	Columbus, Ohio	U.S. specialty-branded footwear retailer with 223 outlets in 35 states
FOOT LOCKER INC. (FL)	3.39	New York, N.Y.	Retailer of athletic footwear and apparel with more than 3,900 stores worldwide
GAP INC. (GPS)	15.71	San Francisco, Calif.	Casual-apparel retailer with 3,152 stores worldwide under brands including Banana Republic and Old Navy
GENESCO INC. (GCO)	1.20	Nashville, Tenn.	Operates more than 2,000 footwear, headwear and accessories stores in North America
GOTTSCHALKS INC. (GOT)	0.16	Fresno, Calif.	Regional department and specialty store chain with 64 locations in the U.S.
GUESS? INC. (GES)	4.58	Los Angeles, Calif.	Designs, markets, distributes and licenses casual apparel and accessories for men, women and children
J. CREW GROUP INC. (JCG)	3.24	New York, N.Y.	Specialty men's and women's apparel retailer with 239 U.S. stores
KOHL'S CORP. (KSS)	22.65	Menomonee Falls, Wis.	Operates 817 Kohl's department stores in 45 states
LIMITED BRANDS INC. (LTD)	11.34	Columbus, Ohio	Specialty retailer with 3,768 stores and nine retail brands, including Victoria's Secret and Express
MEN'S WEARHOUSE INC. (MW)	2.79	Houston, Texas	Specialty retailer of men's suits with more than 1,100 outlets in the U.S. and Canada
NEW YORK & COMPANY INC. (NWK)	0.63	New York, N.Y.	Specialty retailer of moderately priced women's apparel with more than 560 stores in 44 states
NORDSTROM INC. (JWN)	12.74	Seattle, Wash.	Department store operator with 155 outlets in the U.S. and 36 Façonnable boutiques in Europe
PAYLESS SHOESOURCE INC. (PSS)	2.08	Topeka, Kans.	Family footwear specialty retailer with 4,564 retail stores in 11 countries
POLO RALPH LAUREN CORP. (RL)	6.03	New York, N.Y.	Apparel retailer operating 292 stores worldwide
SAKS INC. (SKS)	3.02	Birmingham, Ala.	Retailer with 193 U.S.-based stores under the Saks Fifth Avenue, Club Libby Liu and OFF Fifth brands
SIGNET GROUP PLC (SIG)	3.58	London, England	Jewelry retailer with 1,889 outlets in the U.S. and U.K. under Kay Jewelers, H. Samuel and other brands
STAGE STORES INC. (SSI)	0.91	Houston, Texas	Department store retailer with more than 660 stores in 33 states under such names as Stage and Peebles
SYMS CORP. (SYM)	0.28	Secaucus, N.J.	Operates a chain of 35 off-price retail apparel stores in 14 states
THE BUCKLE INC. (BKE)	1.18	Kearney, Neb.	Retailer of casual apparel, footwear and accessories with more than 350 outlets in 38 states
THE CATO CORP. (CTR)	0.70	Charlotte, N.C.	Operates more than 1,250 women's fashion specialty stores under the names Cato and It's Fashion!
THE TALBOTS INC. (TLB)	1.37	Hingham, Mass.	Retailer and cataloger of women's and men's apparel with 1,381 stores in the U.S., Canada and the U.K.
THE TJX COMPANIES INC. (TJX)	12.52	Framingham, Mass.	Off-price retailer of apparel and home fashions through chains such as T.J. Maxx and Marshalls
TWEEN BRANDS INC. (TWB)	1.39	New Albany, Ohio	Specialty apparel retailer targeting tween girls with 754 Limited Too and Justice stores

*COMPILED ON JULY 2, 2007 FROM THE INDUSTRY CLASSIFICATION BENCHMARK.

**AS OF JULY 2, 2007

Foreign Threads

Retailers will open stores in Asia, where most clothes are made.

Roughly 91 percent of the apparel bought in the U.S. is made overseas, a percentage that's risen steadily over the past decade, reports the American Apparel & Footwear Association. Asia remains a top supplier to many retailers, including women's clothing store **CHICO'S FAS INC.** (CHS), which says 55 percent of its products are now manufactured in China, Hong Kong, Taiwan, Korea and Macao, up from 30 percent in fiscal 2001. Apparel retailers are also eyeing global markets for expansion through joint ventures, franchises and licensing deals. **GAP INC.** (GPS), for example, says that it opened in 2006 franchised stores in Singapore and Malaysia and added to its fleet of Banana Republic outlets in Japan.



"OUR CUSTOMERS WANT TO SEE NEWNESS ALL THE TIME. IT'S CRITICALLY IMPORTANT FOR US TO HAVE SHORT LEAD TIMES."

— MICHAEL RAYDEN
CHAIRMAN AND CEO, TWEEN BRANDS INC.



"EVERY WOMAN TODAY IS TIME STARVED. PROVIDING AN EDITED ASSORTMENT AND ONE-TO-ONE HELP IN THE WARDROBING ROOM IS ESSENTIAL TO GETTING HER IN AND OUT QUICKLY."

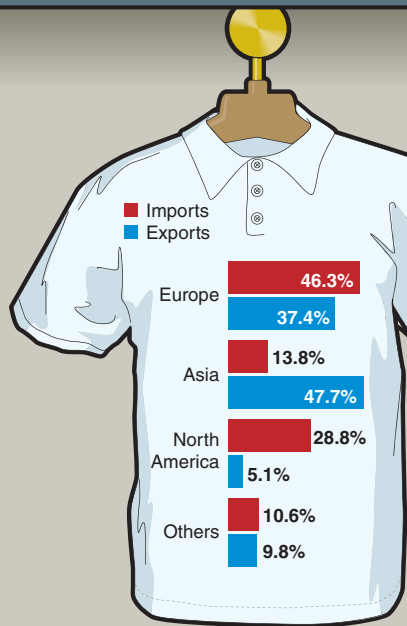
— KAY KRILL
PRESIDENT AND CEO, ANN TAYLOR STORES CORP.



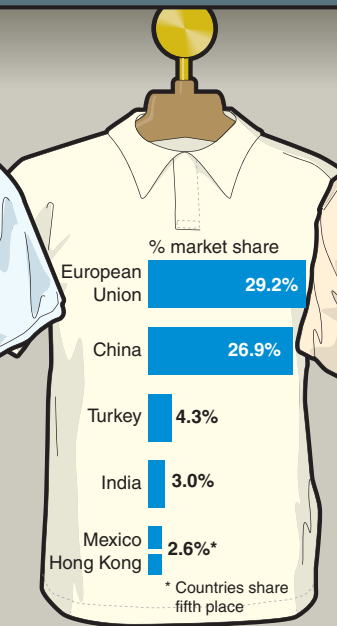
"WE'RE SEEING A MORE THAN 30 PERCENT GROWTH RATE IN SALES AND TRAFFIC ON SAKS.COM. AT SOME POINT THIS YEAR, IT WILL BECOME THE SECOND LARGEST 'STORE' IN THE COMPANY."

— STEPHEN I. SADOVE
CEO, SAKS INC.

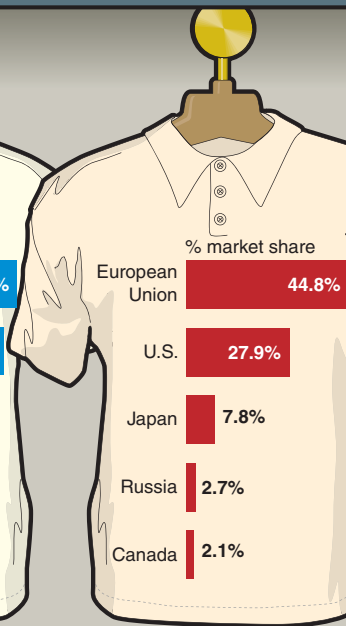
REGIONAL SHARES OF WORLD TRADE IN CLOTHING



TOP SIX EXPORTERS OF CLOTHING



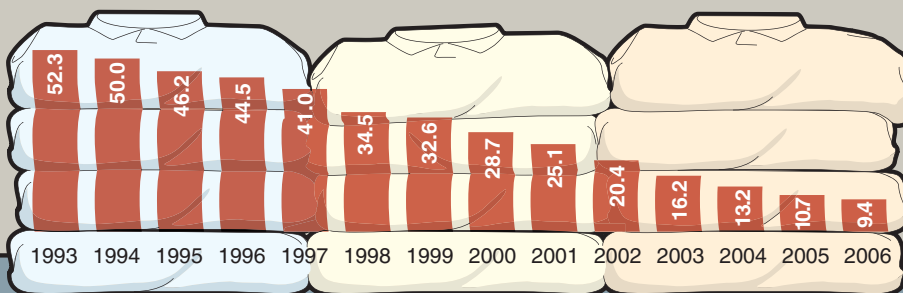
TOP FIVE IMPORTERS OF CLOTHING



ALL DATA FROM 2005

SOURCE: WORLD TRADE ORGANIZATION

PERCENTAGE OF APPAREL CONSUMED IN THE U.S. THAT IS MADE IN THE U.S.



SOURCE: AMERICAN APPAREL & FOOTWEAR ASSOCIATION