

Industry Surveys

Apparel & Footwear: Retailers & Brands

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The next update of this Survey is scheduled for March 2012.

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CURRENT ENVIRONMENT

A tenuous recovery at best

The recession may have officially ended in the summer of 2009, but, for many people, it seemed like déjà vu all over again in the summer of 2011, as few jobs were created and as inflationary pressures from fuel and food reduced incremental discretionary income. Despite the positive implications of the 2% payroll tax cut, few felt rich enough to splurge. As long as unemployment remains high, the chances of a consumer-led recovery are slim.

There is one demographic that continues to improve: those in the US making more than \$100,000 a year. Moreover, developing regions, particularly China, are expanding their population of affluent and minting new millionaires daily, which is increasing the demand for luxury products and services.

On July 14, 2011, the US Department of Commerce reported that retail sales in the Clothing & Clothing Accessories Stores subsector rose 6.5%, year over year, in June. These results largely mirrored the strength that investors saw in same-store sales comparisons reported by retailers on July 7: year-to-date through June, such sales rose 5.5%. In June, shoppers picked up bargains at summer clearance sales as retailers made room for shipments of new merchandise for the fall selling season, which begins with back-to-school spending and is capped by holiday sales.

These results are not bad, in our view, considering we have a 9.1% unemployment rate, little growth in discretionary income, and pricing pressures (food inflation and gas prices that are about 35% higher than a year ago) that have mitigated the 2% payroll tax cut. However, with the uneven and anemic economic recovery, consumer sentiment and spending intentions are far from robust. According to the University of Michigan, the July reading on its US consumer sentiment index dropped to 63.7 (the lowest reading since March 2009), down from the previous month's 71.5. The reading was much lower than the consensus forecast of 72.5 and still in recessionary territory. Most of the weakness was in the future outlook index, which fell to 56 from 64.8.

We entered 2011 with concerns about cost inflation (in raw materials, labor, and fuel) and the degree to which retailers would be able to raise prices to offset increased costs. Looking ahead, we see some combination of gross margin pressure and/or reduced sales volume. Higher prices are only beginning to surface at retail; the bulk of the increases are expected to begin in the fall, just in time for holiday sales.

Retailers have many levers they can use to deal with higher input costs, including bulk purchases, moving manufacturing, alternative fabrics, and shifts in merchandise mix. We believe that all the levers will be employed, but we note brands with the greatest consumer loyalty and those at higher price points are the least vulnerable to margin erosion; undifferentiated brands with commodity-type apparel are more vulnerable. We note that those retailers and brands targeting a lower-income demographic have the least wiggle room and, hence, are most likely to see margin erosion in the second half of 2011.

Some will still have opportunity

While we are neutral on apparel retailers generally, we see plenty of opportunity for Abercrombie & Fitch Co., Chico's FAS Inc., Guess? Inc., and Urban Outfitters Inc., despite the aforementioned headwinds. We think brand positioning, the competitive marketplace, and growth in multiple channels and geographies are positives for these companies. These retailers target a more affluent consumer who continues to shop—perhaps not at a pre-2007 pace, but who, having an improved household balance sheet, is incrementally purchasing more. In fact, at high-end retailers, such as Tiffany's and Saks, shopping activity most closely correlates with stock market returns.

- **Abercrombie & Fitch.** International expansion is the dominant theme at Abercrombie & Fitch, as it penetrates global markets with flagship locations for its A&F brand and mall locations for Hollister.

We expect the bulk of the company's growth to be generated abroad (where store profitability runs about 75% ahead of the US), given its premium brand positioning.

- **Chico's.** We see Chico's in the middle of a turnaround, with its businesses stable and in growth mode. We see further growth and operating leverage for the company, which we believe will come from continued development of the discount channel and Soma (its intimates retail concept).
- **Guess.** We regard Guess as a premium lifestyle brand with global diversification that mitigates operating risk. We see the company as having growth opportunities via the expansion of new retail concepts and penetration of new geographies.
- **Urban Outfitters.** We view this company's retail brands as unique in the marketplace and providing above-average growth. We envision Urban Outfitters' underpenetrated niche brands achieving scale via new stores and global expansion.

On the apparel, accessories, and luxury brands front, we are maintaining a neutral outlook on the sub-industry, but are positive on Coach Inc., Polo Ralph Lauren, and VF Corp. Here we see strong brand management, along with international growth, as supporting our positive stance. We also note that these companies target an affluent demographic and benefit from the growing middle class in developing Asian nations.

RETAIL APPAREL STORE PERFORMANCE*

	-- SAME-STORE SALES --			----- NUMBER OF STORES -----						----- SQUARE FOOTAGE -----				
	(YR-TO-YR % CHANGE)									--- MIL. SQ. FEET --- -- % CHANGE --				
	2010	2011	E2012	2010	2011	E2012	2010-	2011-		2010	2011	2012E	2011	E2012
SPECIALTY APPAREL RETAILERS														
Abercrombie & Fitch	(23.0)	7.0	6.0	1,096	1,069	1,070	(27)	1		7.8	7.8	7.8	0.0	0.0
Aeropostale Inc.	10.0	1.0	(10.0)	952	1,022	1,070	70	48		3.6	3.7	3.7	1.6	1.1
Amer. Eagle Outfitters†	(4.0)	(1.0)	(2.0)	1,103	1,089	1,115	(14)	26		6.4	6.4	6.5	(0.7)	1.6
AnnTaylor Stores	(17.8)	10.7	5.0	907	896	950	(11)	54		5.3	5.3	5.5	(1.2)	4.3
Bebe Stores*	(17.1)	0.4	5.0	297	252	260	(45)	8		1.4	1.3	1.3	(4.1)	0.0
Buckle	7.8	1.2	6.0	401	420	432	19	12		2.0	2.1	2.2	5.0	3.1
Chicos FAS	6.1	6.3	7.0	1,080	1,151	1,250	71	99		2.6	2.8	2.9	6.3	5.0
Coldwater Creek	(1.4)	(8.5)	(15.0)	356	421	420	65	(1)		3.7	3.8	3.8	1.4	0.0
Gap Inc.	(5.0)	1.0	1.0	3,231	3,246	3,125	15	(121)		38.8	38.2	37.1	(1.5)	(3.0)
Limited Brands	(4.0)	9.0	7.0	2,971	3,455	3,426	484	(29)		10.9	10.9	10.9	(0.3)	(0.4)
Urban Outfitters	(2.6)	4.0	1.0	327	372	422	45	50		2.3	2.8	3.1	22.7	10.0
DEPARTMENT STORES														
Dillards	(10.0)	3.0	3.0	309	308	305	(1)	(3)		53.4	53.5	53.0	0.2	(0.9)
Macy's	(5.3)	4.6	4.9	850	851	853	1	2		154.5	154.2	154.3	(0.2)	0.1
Nordstrom	(4.2)	8.1	5.5	184	204	224	20	20		22.8	23.8	24.9	4.4	4.6
JC Penney	(0.1)	2.5	2.5	1,108	1,106	1,109	(2)	3		111.4	111.6	111.9	0.2	0.3
Target	(2.5)	2.1	3.8	1,740	1,750	1,773	10	23		231.9	233.6	236.6	0.7	1.3
OFF-PRICE RETAILERS														
Ross Stores	6.0	5.0	4.0	1,007	1,055	1,129	48	74		23.8	24.8	26.5	4.2	6.9
The TJX Cos.	6.0	4.0	3.0	2,728	2,859	2,913	131	54		63.5	66.0	69.3	4.0	5.0

*Data for all stores is for fiscal years ended in January, except Bebe Stores which ended in June. E-Estimated.

†Includes closure of 28 Martin+Osa stores in FY2010.

Sources: Company reports; Standard & Poor's estimates.

Recent sales results

A warm July helped retailers clear the shelves of summer merchandise and prepare for early fall deliveries. Generally, sales results spoke to a bifurcated market, with the high end outperforming the value brands. That said, off-price and outlet channels reported growth.

For the seven apparel retailers we track, sales-weighted comparable store sales (comps) increased 3.2% in July 2011 (meeting our estimate), versus a 3.1% increase in July 2010. Limited Brands Inc. led the group

with an increase of 9%, while Ross Stores Inc. reported a 7% gain. Both of these companies also lifted their guidance for earnings per share (EPS) in the July quarter. Luxury retailers Saks and Nordstrom Inc. reported better-than-expected gains in July comps of 16% and 12%, respectively, versus our estimates of 7% and 8%.

On the teen front, Abercrombie & Fitch reported a 9% increase in comps for the July 2011 quarter, while Aéropostale had a 14% decline. At Abercrombie, the Hollister brand has been more promotional in the US, and we believe it is taking share from lower-priced competitors (including Aéropostale). Teen retailer Buckle Inc., with its assortment of high-priced national brand and proprietary denim (selling for about \$90, on average), also reported a 9% gain in comps for the July quarter. We see a bifurcation of the market: higher-priced brands are able to pass on modest price increases and preserve margins, because product costs represent a smaller proportion of their sales relative to value-priced apparel. As prices in the value category are increased, customers balk and frequently choose between trading up to an aspirational brand or forgoing the purchase.

While August is all about back-to-school spending, we see continued momentum at these retailers based on merchandise mix and the value proposition they provide.

HOT TOPICS: SOCIAL MEDIA, LUXURY BRANDS, AND AMAZON

The use of smart mobile technologies can effect social change and influence purchasing behavior. While social media are still in the early development stages, we believe they will affect the apparel and accessories industry, as we discuss below.

Wikipedia defines social media as “the use of web-based and mobile technologies to turn communication into an interactive dialogue.” This includes a potential “network effect” of huge numbers of participants in the conversation, which has significant implications for business. The development of the web has supported new communication tools for consumers and companies alike. Such communication spans the gamut from fashion bloggers to customer feedback and consumer reviews, and corporate-sponsored Facebook pages to comments by “friends.”

Before the Internet, consumers were exposed to and educated about fashion trends by department stores and specialty shops, along with fashion magazines and celebrities. In other words, fashion was “pushed” to the public. All this has changed, and in a big way. Today, the consumer is empowered by technology: a steady flow of new “apps,” or mobile applications, can minimize shopping stress and optimize one’s budget. According to Retail Systems Research, a retail market research firm, in its *May 2011 Social Media’s Impact on Customer Engagement Benchmark Report*, 72% of retailers surveyed said the customer is forcing them to have a social media presence.

Social media enable businesses to listen to their customers in real time, which in turn arms them with information to alter their products, prices, and marketing mix, and helps them manage brand perception and consumer sentiment. Engaging in a dialogue with consumers in this format is a social endeavor and a platform for building relationships. Most important is the ability to understand what the customer perceives as valuable and respond with appropriate product/service/quality bundles. Another top challenge is providing the consumer with a seamless cross-channel experience. Engaging in social media supports improved customer service, the brand proposition, brand equity, and market share for the consumer, which in turn enhances customer engagement, loyalty, and traffic—all in all, a win-win situation for retailers.

One of the benefits of social media is the elevation of brand advocates from individual word-of-mouth, grass-roots brand supporters to the more viral support that a network creates. These customers provide unpaid authenticity, arguably one of the best forms of marketing—similar to word-of-mouth, but on a potentially far larger scale.

By far the largest social media platform is Facebook, with 750 million active users worldwide, about one-third of whom access the site on their mobile devices. According to a study by ForeSee, a customer satisfaction measurement firm, 81% of shoppers who use social sites use Facebook, 31% use YouTube, and 16% use Twitter. People on these platforms are talking about their brand experiences, and we believe that brand managers need to listen and be a part of the conversation.

The August 2011 edition of *Apparel*, a trade magazine, ranked “The *Apparel* Top 50 by Social Media Popularity.” Victoria’s Secret, with 14.5 million Facebook fans (up 205%, year over year), retained its No. 1 ranking, followed by Nike (8.5 million), Levi’s (6.1 million), Abercrombie & Fitch (5.1 million), and American Eagle (4.9 million). Others in the top 10 included Aéropostale (4.9 million), Polo Ralph Lauren (3.5 million), and Gap (which was tenth, with 1.7 million fans). Twitter followers are considerably fewer, led by Urban Outfitters (433,000), Nike (216,000), and Victoria’s Secret (141,000).

As US smartphone usage approaches the 100-million mark, consumers are armed with devices supporting immediate price comparisons, product research, and consumer reviews that are changing in-store purchasing behavior. According to Forrester Research, 82 million smartphones were in use in the US in 2010; by 2015, it projects that total will reach 159 million. To quote marketing professor Barbara Kahn, the head of Wharton University’s Jay H. Baker Retailing Center, “mobile is everything...The killer app is mobile. People used to go to stores for information and research. Today all the information is already in their hands.”

In an April 2011 Google/Ipsos survey of 5,013 US smartphone owners, 79% responded that they use a smartphone to help with shopping and 70% said they use the smartphone in stores. Usage ranged from locating the store (79%), price comparisons (49%), looking for discounts or promotions (40%), and using a discount coupon on the phone (28%).

Aéropostale has had a social media strategy for more than 18 months and has a dedicated cellphone media marketing group. In addition to its five million Facebook fans, it has a presence on Twitter (with 33,000 followers, it is ranked No. 11 by *Apparel* magazine) and on YouTube. Aéropostale’s goal for social media is to engage with youth and integrate into their lives. For instance, when designing graphic t-shirts for its fall line, the company posted three on Facebook and asked, “Which do you like best?” Responses came quickly and ideally could help merchants with assortments/colors and silhouettes. The immediate positive we see is that Aéropostale can generate brand interest, excitement, and involvement, which we believe are instrumental in developing brand equity and consumer loyalty. In August 2011, Aéropostale launched a fully integrated Facebook store that combines shopping and social media, and extends full e-commerce functionality to the Aéropostale Facebook community. In addition to full access to Aéropostale’s online inventory, users can ‘Like’ and share items with their Facebook network and thus leverage the viral nature of Facebook.

While smartphone adoption has been rapid, this has not been the case for mobile commerce or m-commerce. According to the *North American Technographics Retail Online Survey*, Q1 2011, from Forrester Research, only 13% of online consumers have used their mobile phones to purchase a product (as distinct from a ring tone, or song). Forrester Research estimates that m-commerce topped \$3 billion in 2010 and will double in 2011; by 2017, m-commerce is expected to total \$31 billion and account for 7% of e-commerce. An estimated 91% of retailers in the US have a mobile strategy in place or in development, according to a study conducted by Forrester Research for Shop.org.

Social media: important in the long term, but caution is warranted

A social media strategy doesn’t necessarily translate into immediate sales, but retailers and apparel brands would be foolhardy to ignore these technologies, in our view. With an estimated 40% of the US population on Facebook, this platform is a must in our opinion; Twitter, with its ability to communicate short “tweets” of up to 140 characters, is a great tool to communicate promotions and product updates.

However, we are wary of the overuse of social media to overtly sell. Similar to the brand destruction that occurred in the late 1990s through 2005, a time when extreme price competition in the department store channel led to a fight for customers and sales on similar products, we caution specialty apparel brands should they employ flash sales to stimulate demand. We can envision multiple scenarios where the consumer, who has already purchased an item at a higher price (perhaps even full price), receives a flash sale offer of 40% off for the afternoon or discovers some unknown percentage discount at check-out on the website. This may drive sales today, but we think it trains shoppers to wait for the deal of the day and, as a long-term strategy, undermines brand equity.

Luxury brands are rebounding

There is a growing global luxury demographic, reflecting the creation of more Asian and Indian millionaires in tandem with their developing nations. The affluent American is spending again too, but for this population, we believe a “new normal” (*i.e.*, eschewing frivolous spending) was seeded in the 2008–09 recession, so that in the current recovery, this group expects and demands higher levels of quality and service (the value equation) for luxury products and services. Additionally, increased caution has benefitted heritage brands.

The 2008–09 recession was the first time we have seen the luxury end of the apparel market so severely affected by macroeconomic events. In part, this is because the category attracted so many aspirational shoppers in the past 10 years. In the US, cheap credit and home equity cash-outs drove as much as one percentage point of annual GDP growth from 2002 to 2007 and allowed consumers to trade up to luxury brands in many categories: everything from homes to home décor (faucets, beds, consumer electronics, and appliances) to designer handbags, sunglasses, and denim jeans.

For better or worse, this well has dried up. According to Bain & Company, a global management consulting firm, 2009 was the worst year on record for the worldwide luxury market, with an 8% sales decline to €153 billion, of which apparel and accessories represented about 51%. In 2009, sales of luxury apparel goods dropped 10.5%, while accessories were off just 1.5%. In 2010, however, the trend turned, as higher-income consumers felt comfortable loosening their purse strings. For 2010, Bain had forecast 9%–11% sales growth, depending on the strength of holiday sales; in May 2011, Bain lifted its 2010 estimate to 12% to €172 billion (8% on a constant currency basis). As this *Survey* was being prepared in early August 2011, we were still waiting for the final numbers to be reported for some privately held luxury companies.

So far in 2011, luxury brands have continued to enjoy robust growth. For the first six months of 2011, LVMH Moët Hennessy Louis Vuitton (Louis Vuitton) reported a 15% organic revenue gain, led by a 27% gain in its watches and jewelry division, followed by a 14% gain in fashion and leather goods (its largest division, accounting for 39% of LVMH's sales during the period). In the US (excluding Hawaii), Louis Vuitton's sales rose 17%, driven by a 21% gain in fashion and leather goods, and was more than double the 8% achieved in Europe. Coach reported an 18% sales gain for its fiscal year ended June 2011, ending the period with an 11% same-store sales gain for the fiscal year, and a 10% comps gain in the final quarter. At Tiffany, sales rose 19% in the Americas in the fiscal first quarter ended April 2011 on a year-over-year basis.

Given the strong holiday sales in the luxury channel in virtually all geographies (except Japan), luxury goods brands benefited from restocking in the first quarter of 2011 and we anticipate continued relative strength for the remainder of 2011 and into 2012. Additionally, the luxury segment has benefitted from the travel retail channel, which is an estimated \$22 billion global market: about 50% of sales are luxury, and new Chinese tourists are driving demand as they travel through flagship cities in Europe and the US.

Our conversations with luxury goods companies reveal that their shoppers have become more discriminating and are purchasing less. Here, too, the focus is on value in the overall product equation, rather than on discounts or price negotiation. Not surprisingly, difficult economic conditions tend to increase consumer demand for classic brands with established reputations for style, quality, and value, or time-tested authenticity. In denim, a return to authenticity should benefit staple brands such as Levi's, Lee, Wrangler, Calvin Klein, and Ralph Lauren.

According to the CNBC All-America Economic Survey released in June 2011, the wealthiest Americans are growing less optimistic: only 26% of those with incomes above \$75,000 believe that the economy will improve in the coming year, 400 basis points (or four percentage points) below the national average. Moreover, because this survey was conducted before the debt ceiling fiasco of late July, sentiment likely has deteriorated further, which doesn't bode well for future luxury sales.

Amazon.com: expanding its apparel business organically and via acquisitions

We've long admired Amazon.com Inc. as the premier Internet merchant getting its foothold in media and expanding into new categories where it offers convenience, price, and selection. Many common e-commerce

practices began at Amazon, most notably free shipping/free returns, consumer reviews, suggestions based on recent purchases, and ease of a quick checkout, along with its extensive selections and fair pricing. Consumers have come to expect these services, and we regard Amazon as a best-of-breed retailer (note that we are not qualifying this with the word “Internet”) and in the vanguard in terms of meeting customer expectations.

According to comScore Inc., an Internet market research firm, e-commerce sales rose 9.4% in the first six months of 2011 to \$66.9 billion; in the same period, Amazon’s North America sales rose 48% to \$10.9 billion. All forms of media (books, music, films) represent the bulk of Amazon’s sales mix, at 39%. Apparel, footwear, and accessories reside in Amazon’s other category of electronics and other general merchandise, where electronics is by far the largest category (and the most mature in terms of penetration); consumables, including personal care and apparel, represent smaller, more rapidly growing businesses with substantial opportunity for Amazon as consumers migrate more of their purchases online. Amazon has communicated with the investment community that apparel is a growth strategy for the company based on the superior margins it offers and the low level of online apparel sales in relation to total apparel sales (estimated to be under 8%) and even less at Amazon.

We’ve watched with interest as Amazon whetted its appetite for the fashion industry with its 2006 purchase of Shopbop.com, an online shopping boutique for the fashion-savvy female, providing ready-to-wear designer apparel, fashion-forward apparel, shoes, and accessories for women, along with trend reports and designer lookbooks (a collection of photos that show off a clothing line). This is an authentic apparel retailer with more than a hundred contemporary brands, many of which have online runway videos that show how the clothing moves and provide greater insight into the merchandise, thereby removing obstacles to their purchase.

In 2007, Amazon launched Endless.com, specializing in footwear and handbags, and now the product offering extends to apparel, fashion jewelry, and watches. Shipping and returns are free in the US, services that Amazon regards as cost of entry to the apparel market. Concurrently, Amazon offered clothing and accessories on its Amazon.com website (and continues to do so, with thousands of offerings for men, women, and children). In 2009, Amazon spent \$940 million to acquire Zappos, a company as well known for its high level of customer service as for its extensive footwear offerings (though its merchandise also includes apparel, accessories, and beauty products). In addition to shopping by brand or style, at Zappos you can shop by fashion personality: if you self-identify as a “classic” female, for example, you can click on that link, and a selection of brands and outfits populates the screen.

These shopping sites are not necessarily the cheapest spot to shop (the amount of couponing we’ve long decried remains front and center at American department stores; therefore, that’s where you can frequently get the lowest price). However, the ease of shopping along with online assistance in the form of product and brand suggestions and editorial comment, along with the breadth of assortment, make these online shopping venues compelling—and addictive.

This leads me to Amazon’s recent (May 2011) in-house launch of My Habit, a flash sales site offering up to 60% off selections from designer and boutique brands for men, women, and children. Once again, Amazon has set a new standard in the flash sale arena of convenience, with its offers of free instant membership, free shipping, and free returns in the US (for \$15, the site ships to 50 countries). The My Habit fashion experience includes a 360-video shot on models, lavish photography, and editorial segments. Amazon has come far from the tube socks and T-shirt commodity apparel offerings it began with 10+ years ago, and we believe that it has only just begun. Amazon’s technological prowess is likely to change the nature of apparel sales on the Internet by incremental improvements in visualization, the social shopping experience, and more.

M&A OUTLOOK

The leveraged buyout (LBO) market is heating up again, with retailers and apparel brands getting renewed interest. Some reasons for the attractiveness of the fashion sector include high potential asset returns, high and growing cash balances, and balance sheets capable of supporting increased debt loads. Corporate underperformance and undervalued shares are other factors financial sponsors target in LBOs.

Strategies are similar to a body shop: buy, fix, and sell. Many sponsors possess industry expertise and thus believe they can turn around operations, reposition a brand, close underperforming stores, and improve cash-on-cash returns. The true fixation is on the exit strategy. (See the table below for an updated list of the most significant deals.)

APPAREL COMPANY MERGERS & ACQUISITIONS—2007–2011			
CLOSING DATE	ACQUIROR	TARGET	APPROXIMATE VALUE
Sep. 11*	VF Corp.	Timberland	\$2 billion
Jun. 11	PPR SA.	Volcom	\$608 million
Jun. 11	The Jones Group	Kurt Geiger Ltd.	\$351 million
Mar. 11	Nordstrom	HauteLook, Inc.	\$75 million
Mar. 11	TPG Capital	J Crew Group	\$3 billion
Feb. 11	DSW Inc.	Retail Ventures	\$1.2 billion
Jan. 11	Perry Ellis Intl.	Rafaella Apparel Group, Inc.	\$192.4 million
Nov. 10	LF USA Inc.	Oxford Apparel	\$121.7 million
Oct. 10	Bain Capital	Gymboree Corp.	\$1.8 billion
Aug. 10	Hanesbrands Inc.	GFSI Holdings Inc.	\$228.3 million
May. 10	Jones Apparel Group	Stuart Weitzman, LLC	\$180.3 million
Mar. 10	Phillips-Van Heusen	Tommy Hilfiger Group B.V.	\$3.2 billion
Dec. 09	Essilor International	FGX International Holdings Ltd.	\$568.1 million
Aug. 09	Advent Int'l Corp.	Charlotte Russe Holdings	\$371.1 million
Jul. 09	Amazon.com	Zappos.com	\$823.0 million
Jul. 09	Golden Gate Capital	Eddie Bauer Holdings	\$286 million
Jul. 09	Dress Barn	Tween Brands Inc.	\$157 million
Jun. 09	Syms Corp.	Filene's Basement	\$47.6 million
Jun. 09	Golden Gate Capital	J.Jill	\$66.9 million
May 09	Levi Strauss Co.	Anchor Blue Retail Group	\$72 million
Apr. 09	Coach Inc.	Coach Domestic Retail Business in China, HK, Macau	terms undisclosed
Nov. 08	H.I.G. Capital	Charlotte Russe	\$185.2 million
Nov. 08	Sun Capital	Gerber Childrenswear Inc.	\$179 million
Sep. 08	Foot Locker Inc.	Skate Direct, LLC	\$103.2 million
Sep. 08	Gap Inc.	Athleta	\$150 million cash
Sep. 08	Golden Gate Capital	Crosstown Traders	\$35 million
Aug. 08	[multiple acquirers]	Bob's Stores Corp.	terms undisclosed
Jun. 08	Labelux Group	Bally Japan	terms undisclosed
Apr. 08	Steelpoint Capital	Liz Claiborne's prAna unit	\$40 million
Apr. 08	Radius Equity	Liz Claiborne's Ellen Tracy unit	\$27 million
Apr. 08	Kohlberg & Co.	Nike's Bauer Hockey unit	\$200 million
Mar. 08	Nike Inc.	Umbro Plc	\$630 million
Feb. 08	Perry Ellis Intl.	Liz Claiborne's C&C California and Laundry by Design units	terms undisclosed
Feb. 08	Sun Capital	Kellwood Co.	\$1 billion
Jan. 08	Youngor Group	Kellwood's Smart Shirts unit	\$121 million
Oct. 07	Li & Fung	Liz Claiborne's Emma James, Intuitions, JH Collectibles, and Tapemeasure units	terms undisclosed
Oct. 07	Gildan Activewear	Prewett Hosiery	\$135 million
Sep. 07	Istithmar	Barney's	\$942 million
Sep. 07	Li & Fung	Regatta LLC	\$300 million
Aug. 07	VF Corp.	7 For all Mankind	\$775 million
Aug. 07	VF Corp.	Lucy Activewear	\$110 million
Aug. 07	Collective Brands	Stride Rite Corp.	\$890 million
Apr. 07	Berkshire Hathaway	VF Corp.'s intimates business	\$350 million
Mar. 07	VF Corp.	Majestic Athletic	terms undisclosed
Jan. 07	Phillips Van-Heusen	Superba	\$180 million

*Estimated, still pending.

Source: Company reports.

Nordstrom purchases HauteLook

As part of its commitment to improve the online customer shopping experience, Nordstrom acquired HauteLook Inc., a leader in the online private sales marketplace, in March 2011 for \$180 million in stock (with a portion subject to vesting requirements). HauteLook launched in 2007 and has a membership base of more than four million shoppers. The company's website offers limited-time sales events featuring discounts of 50% to 75% on leading fashion and lifestyle brands for men, women, kids, home, beauty, travel, and local services.

Nordstrom sees an opportunity to leverage HauteLook's platform to become more innovative and faster in responding to its customers' needs in the quickly evolving online channel. For its part, HauteLook should benefit from access to Nordstrom's broad vendor base, which includes designer and luxury brands.

NEWS ROUND-UP

In the June 2011 quarter, VF Corp. beat analysts' estimates as strong momentum across its brand portfolio drove a 15% sales gain and a 17% increase in earnings per share (EPS). North Face and Vans continue to enjoy strong brand dynamics that supports international expansion. We were pleasantly surprised by the strength of

VF's US denim business in the mass and moderate channel, where increased raw material costs were especially challenging; VF saw market share gains and unit increases on fall bookings.

Under Armour Inc. bounded ahead in its June quarter, with a 42% sales gain. It raised 2011 guidance again from the 20%–25% long-term sales growth target communicated as 2011 began to a 33%–35% gain. We see the introduction of Charged Cotton and Storm Fleece as significantly broadening Under Armour's addressable market and driving double-digit sales growth over the intermediate term.

The Gap Inc.'s Athleta opened two stores in New York City in August 2011, its first outside of San Francisco. Watch out LuluLemon! We regard Athleta's authentic athletic positioning, with merchandise spanning private label to niche performance brands as differentiators, and with price points as much as 50% below LuLuLemon, as serious competition to LuLuLemon's high-priced yoga gear.

Cotton prices down, but still high

The price of cotton was \$1.22 a pound on July 25, 2011, down from the peak of \$2.40 in March 2011, but still 60% above the price of \$0.76 on July 26, 2010. The good news is that the price of cotton is trending lower, but near term, we see margin pressure in the second half of 2011 as the higher prices hit the retail shelves. Prices at retail are projected to increase up to 10%–20% this fall, though we believe the sell-through will be lower. Thus, we expect to see margin pressure related to higher input costs in the second half of 2011.

NEAR-TERM OUTLOOK

As this *Survey* was being prepared in early August 2011, the US Congress had just approved a proposal to lift the debt ceiling. Businesses and consumers alike had grown increasingly worried; as such, they are less likely to spend robustly. The July 29, 2011, report from the US Bureau of Economic Analysis (BEA) stated that US real gross domestic product (GDP) increased 1.3% in the second quarter of 2011, up from an increase of 0.4% in the first quarter (which was itself a downward restatement from an earlier estimate of 1.9%). The 1.3% estimate for the second quarter is likely to be adjusted downward as a result of the March 11 earthquake and tsunami in Japan. Consumer spending rose 0.1% in the second quarter, down from the 2.1% pace in the first quarter. Although the current economic situation has not been deemed a double-dip recession, it certainly doesn't feel like a recovery.

We see back-to-school spending rising at a 2%–4% moderate pace, as the need to buy supersedes the desire to save money. For 2011, the National Retail Federation (NRF), an industry trade group, projects that combined Back-to-School/Back-to-College spending will grow 2.4% to \$68.8 billion. Apparel and footwear represent 23% and 11% of spending, and are expected to grow at 7% and 5% rates, respectively, this fall. We see a discriminating value consumer—someone who's not necessarily bargain hunting, but is demanding value and is willing to pay for it. We note that approximately 90% (or, by some counts, 84%) of people still have jobs, and we see these consumers purchasing discretionary items with continued discernment. Given their relatively low cost, apparel and accessories will likely achieve greater rates of increase in 2011 (as in 2010) compared with overall consumer spending or total retail sales, since we see home-related purchases as lagging overall growth. The middle-income customer is the most challenged, so we see further bifurcation at retail, benefiting the luxury-positioned retailers and brands at the high end, dollar stores at the low end, and off-price, outlets, and warehouse clubs favored by the large population of value-seeking consumers.

We see a subdued holiday season as well, and look for a 1%–3% gain. We expect online retailers to continue to capture share and expect international tourists, along with the affluent, to drive gains as the vast middle class is attempting to live within their means. Should a more tangible recovery emerge in 2012, the concurrent gains in sentiment, along with improved employment and consumer balance sheets, could release the animal spirits and drive a sustained recovery. On the other hand, should the recent stock market sell-off continue, we believe the affluent will tighten their purse strings and their recent rebound in spending could pause.

According to the Bureau of Labor Statistics (BLS), the number of unemployed peaked in June 2010 at 14.6 million, or a 9.5% rate, even with June 2009. Standard & Poor's sees a continued half-speed recovery, given our outlook for a 9.1% unemployment rate in the final quarter of 2011; fewer sources of disposable income, along with less credit available and at more onerous terms; and the likelihood of higher state and local taxes to bridge budget gaps.

Store closures and fewer store openings will offer market share to survivors, and the best companies will likely look overseas for growth. In this new environment, companies with strong balance sheets and differentiated by product, quality, and brand positioning will be best positioned to capture market share and expand internationally in new and underpenetrated markets. Two companies that fit this description are Coach Inc. and Polo Ralph Lauren.

To further complicate the weak environment we see near term is the looming prospect of higher prices this fall (as high as 10% to 20%, according to Jones Group CEO Wes Card) and increased input costs, such as raw material, freight, and labor. Cotton and leather, both integral components in manufacturing apparel and footwear, are seeing higher prices. Based on our conversations with industry participants, price increases will be made selectively. We don't think that shoppers will notice higher prices for fashion apparel, but they will for more commodity or replacement-type clothing. We believe retailers will be reluctant to fully pass on increased costs to enfeebled consumers, and we expect vendors and retailers to share these increases. In addition, we see companies moving sourcing to lower-cost countries from China, where labor costs have risen about 20% in 2009 and 2010, as well as rationalizing the manufacturing base for scale economies.

Real estate outlook

The retail real estate outlook is beginning to improve. According to the International Council of Shopping Centers (ICSC), a trade organization for the international shopping center industry, the number of announced store closings peaked at 6,913 in 2008 and fell to 4,763 in 2009, in line with 2007's 4,603. In 2010, the number rose to 5,562. However, the second half of 2010 exhibited a substantial improvement in trend, with the number of intended store closings dropping to 1,166, down from 4,396 in the first half. According to the ICSC, on a relative basis, retailers would be closing 0.7% of the total national retail stock in the final quarter of 2010, a negligible amount; moreover, occupancy trends have turned more upbeat, with 2010 likely having marked a return to stability for this market.

According to Marcus & Millichap Real Estate Investment Services, a national commercial real estate brokerage firm, 2009 was one of the most difficult years on record for retail property owners, considering the high number of store closures, tenant bankruptcies, and lease renegotiations; the retail vacancy rate increased 310 basis points to 10.2% in 2009. The rate stabilized in 2010, however: the year was marked by the lowest completion levels on record and four consecutive quarters of positive net absorption of supply. For 2011, Marcus & Millichap predicts vacancies will post a modest decline to 10%. Additionally, the firm sees rent declines abating, as rents stabilized in late 2010 and should remain firm. For now, landlords have little, if any, pricing power, and occupancy levels will have to improve beyond the 10% forecasted for 2011 to stimulate broad-based rent growth.

Jobs still the biggest impact on domestic retail

Standard & Poor's sees a slow-paced economic recovery in 2011 and, so far this year, has lowered its outlook several times. Should employment trends improve faster than we project, purveyors of discretionary goods are likely to benefit. Consumer sentiment is deteriorating, and at about half its 2007 peak of 112, it has upside, but is still likely to move in tandem with the jobs picture as well as events in Washington, D.C. As employers hire, the unemployment rate, which is a lagging indicator, could rise as previously discouraged workers re-start their job search. Industry participants continue to be concerned about the "over-stored" complexion of the US, especially in tertiary locales. We don't see the opportunities for corporate cost savings in 2011 that were executed in 2009 and into 2010; profits will reflect what's done on the top line, not the expense line. ■

INDUSTRY PROFILE

The industry that suits everyone

According to the US Bureau of Economic Analysis (BEA), US gross domestic product (GDP) rose 2.9% to \$14.66 trillion in 2010, versus \$13.25 trillion in 2009. In 2010, US consumers spent about \$334 billion on clothing and footwear, according to the BEA, up 5% from 2009, when they spent \$318 billion. Given an

estimated US population of 308.7 million as of April 2010 and 307.0 million as of July 2009, per capita expenditures on clothing and footwear equaled roughly \$1,092 in 2010 and \$1,049 in 2009. Through the first six months of 2011, sales of clothing and footwear rose 8%, year over year, to \$348 billion (on a seasonally adjusted annual basis), exceeding the 4.6% gain in personal consumption expenditures (PCE) during the same period.

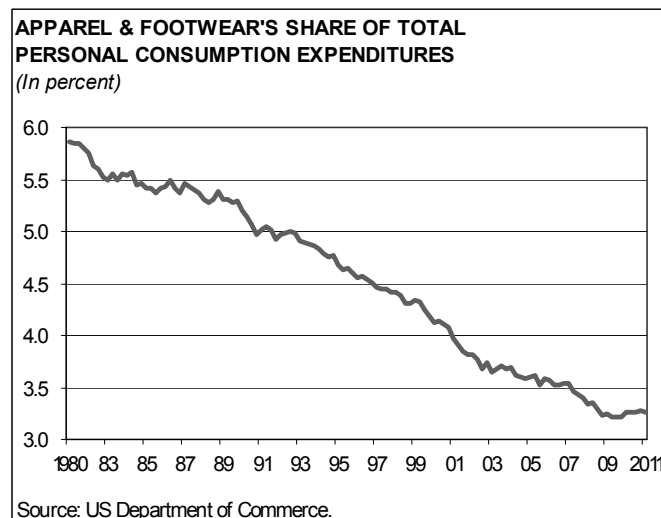
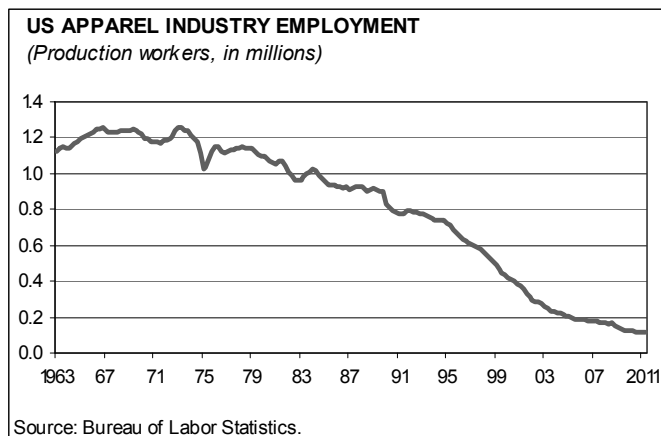
For apparel alone, US consumers spent \$192.7 billion in 2010, an increase of 1.9% from \$189.2 billion in 2009, according to The NPD Group Inc., a consumer market research firm. Given an estimated US population of 308.7 million as of April 2010, per capita expenditures on clothing equaled roughly \$624 in 2010, up from \$616 in 2009.

US employment levels in apparel and footwear manufacturing have fallen drastically in recent decades. According to the US Department of Labor, domestic apparel employment has fallen by 76% from the mid-1990s—to 204,800 in 2007 from 853,800 in December 1994, an 8.9% annual decline. As of December 2010, the figure was 156,600, of whom 75% were in manufacturing. The US Department of Labor expects domestic apparel employment to decrease in line with an overall manufacturing decline of 9% in the 2008–18 period. Increased quotas, reduced tariffs, and a string of free-trade

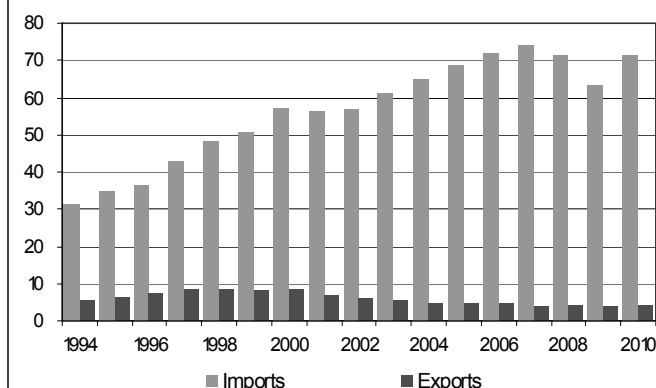
and preferential-trade agreements have contributed to the steady flow of manufacturing jobs out of the United States and into low-cost countries in Asia, Latin America, Africa, and the Caribbean. According to Department of Labor data, domestic apparel employment peaked in 1973 at 1.45 million; since then, the sector has shed more than a million jobs. In the past 12 months, we've seen a modest return to domestic apparel manufacturing for fashion merchandise, due to increased labor costs in developing nations and higher freight costs. Whether this will become a small (but significant) trend remains to be seen.

APPAREL

With respect to both manufacturing and retailing, the US apparel industry is large, mature, and highly fragmented. Apparel sold in the US is made both domestically and internationally. (Some of the largest US-based apparel wholesalers are listed in the “Major apparel companies” table on the next page.)



US IMPORTS AND EXPORTS OF APPAREL
(In billions of dollars)



Source: US Department of Commerce.

Apparel worth \$71.40 billion was imported into the US in 2010, up 13.1% from \$63.10 billion in 2009. Imports from China rose 19% and accounted for 39% of all imports. In 2008, US apparel imports totaled \$71.57 billion, down 3.2% from \$73.92 billion in 2007. Exports of US-made clothing totaled \$4.04 billion in 2010, up 13.3% from \$3.56 billion in 2009 (which was down 5.3% from the exports total of \$3.76 billion in 2008).

US retail sales at clothing and accessories stores increased 4.7% to \$218.33 billion in 2010, according to the US Department of Commerce. In 2009, sales totaled \$208.62 billion, down 3.7% from \$216.58 billion in 2008.

MAJOR APPAREL COMPANIES
(Ranked by sales)

COMPANY	FISCAL YEAR ENDING	SALES (MIL.\$)
Nike	May '11	20,862
V.F. Corp.	Jan. '11	7,703
Polo Ralph Lauren	Mar. '11	5,660
Hanesbrands	Jan. '11	4,327
Jones Apparel Group	Dec.'10	3,642
Liz Claiborne	Jan. '11	3,012
Phillips-Van Heusen	Jan. '11	2,500
Warnaco	Oct. '10	2,020
Quiksilver	Oct. '10	1,838
Carter's Inc.	Dec.'10	1,749
Timberland	Jan. '11	1,430
Wolverine	Jan. '11	1,249
Oxford Industries	Jan. '11	604

Source: Company reports.

The US apparel market can be divided into two tiers: national brands and other apparel. National brands, produced by about 10 sizable companies, currently account for some 16% of all US wholesale apparel sales. The other apparel category, accounting for about 84% of all apparel distributed, comprises small brands and private-label (or store brand) goods.

FOOTWEAR

Like the apparel business, the US footwear industry is mature and fragmented, and its manufacturing base is declining. According to the BEA, total footwear dollar sales rose 5.8% to \$55.8 billion in 2010, following the 3.4% decline in 2009.

Fashion shoes made up 51% of total footwear category sales in 2010, down from the 53% share they held in 2009, as dollar sales of fashion footwear rose 4% and unit sales were up 1.6% from 2009 levels. Performance footwear sales rose 8.6% in dollars and

4.7% in units and represented 24% of total footwear dollar sales in 2010. Leisure footwear represented 25% of footwear sales, with dollar sales up 14.3% in 2010 and unit sales up 8.8%. Footwear brands generally benefited from pricing power in the 2008–10 period, as new fashion and new function drove consumer interest. We note this trend is likely to continue as consumers use fashion accessories to update their fashion look, and boots are trending strong at retail. Additionally, we believe the popularity of toning shoes supported sales gains in the past two years and will continue to do so in 2011.

According to the latest available data from the American Apparel & Footwear Association, a trade group, US footwear imports slid 2.7% to 2.2 billion pairs of shoes in 2008, from 2.4 billion pairs of shoes in 2007, and compared with 2.4 billion pairs in 2006 and 2.3 billion pairs in 2005. However, the value of imported footwear rose 1.1% in 2008 to \$19.1 billion, from \$18.9 billion in 2007, and from \$18.7 billion in 2006. China continues to be the largest supplier to the US market, with 86.4% of the quantity and 71.5% of the value of all US footwear imports.

While the US imports most of its soft-sole footwear, it is a particularly strong manufacturer of protective or safety footwear (most of which feature steel safety toes). Even so, domestic footwear producers looking to offer a wider range of goods often import shoes to round out their product lines.

Today, the footwear industry is truly global in nature, with large manufacturers sourcing products from and selling products in different countries over several continents. A multinational strategy allows manufacturers

facing a slow economy in one country to keep expanding revenues by focusing on selling in the faster-growing economy of another country.

Deckers Outdoor Corp. has had great success with its popular UGG boots (79% of the company's 2010 sales were UGG brand), which offer US consumers comfort and attainable luxury. Deckers has broadened its UGG product offerings through line extensions (including sandals, slippers, and accessories) that capitalize on the UGG brand's association with affordable, yet luxurious and comfortable footwear. The company is also seeking to expand internationally. International sales (including Europe, Asia, and Canada) were 24% of its total sales in 2010, up from 21% in 2009 and 16% in 2008.

US-based companies, such as Nike Inc., have countered slow domestic results by growing sales through increased penetration in the well-developed markets of Western Europe (including the UK, Germany, and France) and by entering new Eastern European markets (including countries such as Poland and the Czech Republic). In the fiscal year ended May 2011, Nike generated nearly two-thirds of its revenues outside of North America.

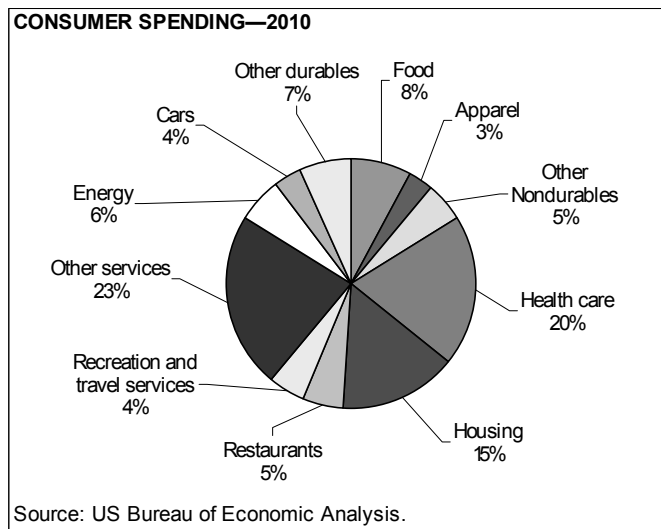
Footwear companies, particularly manufacturers of athletic footwear, have diversified into related apparel and sporting goods categories as a way to extend the reach of their brands and grow revenues. Nike, for example, offers golf clubs, watches, and yoga mats, in addition to sneakers.

INDUSTRY TRENDS

Most trends affecting apparel and footwear manufacturers today are driven by consumer demand and relate to the size of the various demographic groups and their particular wants, shopping patterns, and spending power. Changing styles in workplace and leisure attire also are influencing retail and manufacturing operations.

THE NEW NORMAL

We believe most consumer discretionary apparel retailers saw modest sales increases in 2010, following top-line declines ranging from 3% to 15% in 2009, reflecting a new consumer state of mind and financial profile. As a result, year-over-year comparisons in the first half of 2010 were easy. The second half got off to a muted start, with total personal consumption expenditures (PCE) growing at a 3.2% annual rate (down from the 3.7% of the second quarter), but consumer spending rebounded again in the final quarter to post a 3.9% annualized gain.



Although the same constraints seen in 2009 (lack of employment opportunities, increased savings and debt reduction, and limited credit availability) persisted through 2010, consumers opened their purse strings. We posit that “frugal fatigue” combined with several other developments—covetable merchandise, greater job security for those employed, and, late in the year, the extension of the Bush tax cuts and reduced FICA taxes—to encourage consumer spending.

We saw potential for modest improvement through the first half of 2011 as we entered the year, mitigated by the likelihood of state and local tax hikes, along with reduced government employment in the second half as municipalities

seek to balance their budgets. As this *Survey* was being prepared in early August 2011, economic statistics had been revised lower. For instance, first-quarter real gross domestic product (GDP) was originally reported

to have risen 1.9%, but then was lowered to a 0.4% gain in tandem with the announcement of the second-quarter GDP gain of 1.3%; it wouldn't shock us to see the latter figure also revised lower. We see 2011 as another year of half-speed economic recovery. We expect the year-end unemployment rate and the average for 2011 to be the same as at present (9.1%), with modest improvement through 2014, when Standard & Poor's Economics projects an 8.0% unemployment rate (which compares with 5.8% in 2008).

We believe the magnitude of job losses and tighter credit standards will restrain consumer spending for a very long time. The deleveraging of consumer balance sheets is likely to take years, as this unwinding is concurrent with increased levels of unemployment, both of which will be a drag on a recovery in consumer spending. Moreover, we see less credit available to fund extravagant purchases. Demographics—specifically, the retirement of baby boomers—will change spending and savings patterns. The events of 2007–08 have become the impetus for more responsible behavior, and we see a savings rate increase in tandem with a population taking greater responsibility for its future.

Standard & Poor's thinks that consumers are in the process of re-setting their priorities and that spending patterns will look different from the recent past. We see a “new normal” shopping environment, with a more constrained consumer, which will force the sector to adjust to lower sustainable levels of demand, and lead investors to lower their long-term secular growth expectations.

In June 2010, the NPD Group Inc., a consumer market research firm, surveyed 71,000 consumers and concluded that the consumer is not recovering, but “resetting” at a new (lower) equilibrium. Consumers have less money to spend, so their discretionary spending choices vie across categories—from apparel to appliances, and electronics to groceries. The recession sharpened the consumer's value focus and increased the “retailer consideration set” (*i.e.*, stores where she or he will potentially make purchases) by 4%.

Real gross domestic product (GDP) turned positive in the third quarter of 2009 and, for the final quarter of 2010, it achieved a 3.1% gain, driven by acceleration in PCE, which rose 4.0%. Various categories drove the growth, including motor vehicles and parts (+14.5%), sporting equipment (+9.2%), energy (+10.7%), and clothing and footwear (+6.2%). Services, which represent two-thirds of PCE, rose at a 2.5% pace. As of August 2011, Standard & Poor's Economics was projecting a 2.0% gain in 2011 PCE, in line with the 1.7% growth projected for real GDP in 2011. We expect apparel spending to increase at a 4%–5% pace in 2011, reflecting modest price increases and consumers' willingness to spend on smaller-ticket items, while postponing expensive home remodeling jobs and multiple vacations.

We believe the American consumer has embarked on a “new normal” path and will not return to pre-recession frivolity. A starker picture is in store for purveyors of consumer goods and services. Consumer behavior changed by necessity over the 2007–10 period, and may be permanently altered to reflect shifts in consumer sentiment, social mood, and economic expectations. Supporting a more permanent change in consumer buying patterns/consumption is a “perfect storm” of social, political, and economic upheaval.

Last year's winners will continue into 2011

We see consumers shifting their discretionary funds around the PCE pie to seek out value in all categories, from travel to apparel, and including dining out and entertainment. We note that video media rental spending declined 8.9% in 2010, following a 15.2% drop in 2009. Thus, the questions are where will the growth be and where will the consumer make cuts?

BRAND MANAGEMENT THROUGH ECONOMIC CYCLES

As consumers experience rising unemployment, stagnant wages, and the prospect of higher taxes, many have become much more cautious in their spending. Increasingly, they favor discretionary purchases that offer either a clear value proposition or a “must have” quality. Otherwise, they tend to wait for markdowns and special promotions before buying.

This trend has likely helped increase the brand equity of retailers carrying value-priced clothing and accessories, such as Sweden's H&M Hennes & Mauritz AB (H&M), Wal-Mart Stores Inc., and Zara (the clothing chain owned by Spain's Industria de Diseño Textil SA). All three offer either compelling value or

exciting, unique products. H&M and Zara are executing on both. Of the top three apparel brands with the highest brand value, two were value-priced retailers (H&M and Zara), according to a study published in April 2009 by Millward Brown Optimor, a brand strategy consultant. The top retail brand was Wal-Mart, according to the study. The group ranked the “intrinsic value” of global brands by estimating their ability to “generate demand.”

H&M has successfully built up its brand equity in recent years by teaming up with a number of prestigious, trendy designers to offer limited-edition capsule collections, which have frequently sold out within days of delivery. Recently, H&M has offered popular collaborations with designers Jimmy Choo and Matthew Williamson. Contributing to H&M’s popularity is the freshness of its merchandise: H&M delivers new inventory to its stores every three weeks, according to the Boston Consulting Group.

Luxury retailers adapt to a changed environment

With the luxury sector being hurt by consumers increasingly favoring value-priced discretionary items and turning away from some flashy status-symbol items, a number of luxury retailers are experiencing continued demand by offering products that are highly exclusive and have a reputation for quality, durability, and craftsmanship. Some examples include LVMH Moët Hennessy Louis Vuitton (Louis Vuitton), Chanel SA, and Hermès International SA. In the Millward Brown study of brand values, Louis Vuitton topped the list of luxury brands with the highest brand value, followed by Hermès, Gucci Group, and Chanel.

Louis Vuitton, the world’s leading luxury products group, reported a 19% sales gain, year over year, for 2010, and a 29% gain in operating profits. The Fashion and Leather Goods segment saw sales rise 20%, reflecting the Louis Vuitton brand and sales momentum in Asia, Europe, and the US. The company’s sales in Japan were off 5%, but rose 20% in Asia, 14% in the US, and 12% in Europe.

Leather goods were the best performing luxury category, followed by hard luxury (fine jewelry and watches). Market contraction in 2009 shifted consumer taste toward timeless style and quality-driven purchases, which benefitted strong brands such as Tiffany and Polo Ralph Lauren. In 2010, men exhibited the same spending levels as women in the luxury leather goods category. Not surprisingly, Coach revamped its men’s offerings and has a strong assortment as it expands in Europe. Its men’s initiative includes three full-price men’s-only stores, 37 men’s “concept” stores (broad men’s assortments in existing Coach stores and flagships), and opening another five men’s-only stores in the outlet channel.

The luxury shopper came back (against very easy comparisons) in the final months of 2009, looking for emotional connections and brand culture. Exclusivity and differentiation are the cost of entry to this market. We expect 2011 to benefit from the return of the true luxury shopper seeking timeless quality and value, and we continue to see the aspirational shopper on the sidelines. The aspirational shopper has morphed into a value seeker, and the true luxury market reeled through most of 2009, while attempting to rediscover its real customer base and their expectations from these brands.

The outlet channel (about 5% of the luxury market) grew at an estimated 18% pace in 2010, again driven by Asian demand in Europe and the US outlet locations.

GREEN INITIATIVES

Another way companies have been attempting differentiation from their competitors is by positioning themselves as a “green brand,” appealing to consumers who favor “conscious spending.” Many brands are now offering environmentally friendly products that are also ethically sound, in response to consumers who have become increasingly aware of the impact of their purchases and favor companies that offer compelling product with additional benefits.

In July 2009, Wal-Mart announced an environmental labeling program that forces its suppliers to disclose the full environmental costs for making their products. Wal-Mart plans to supply this information to consumers, providing a transparent labeling system that shows environmental information on all items purchased at Wal-Mart. While the company claims that this extensive information may not be available for five years or more, some experts say it could start as early as this year.

Timberland Co. has a set of programs and policies “dedicated to the elimination of our carbon footprint and a vision of an accountable, sustainable enterprise.” Timberland is also one of the first companies to have a formal document that shows its strategy for managing and reducing its impact on global warming. Timberland also launched an online campaign, called “Earthkeepers,” to promote environmental responsibility and community awareness of environmental issues. On April 21, 2009, the company sponsored a number of events around the world, including tree planting in Germany and clearing garbage in Japan.

Deckers Outdoor Corp.’s Simple brand is differentiated from other casual shoe labels because of its focus on sustainability. Deckers says it is committed to making its Simple shoes products 100% sustainable, using materials such as natural crepe rubber and recycled car tires and inner tubes.

The move toward green

At the National Retail Federation’s 99th annual convention held in January 2010, much attention was given to the growing interest in all things “green” and sustainable. Several such initiatives have been introduced at Kohl’s Corp. and The Gap Inc.’s Old Navy.

Kohl’s has realized millions of dollars in savings over the past few years from its increased focus on sustainability in a wide range of areas from energy and transportation to packaging and its vendor community. It now has 79 stores (of its total 1,059-store base) with rooftop solar panels. Because the expense was at the energy-supplier end, the return on investment (ROI) was significant and thus garnered the support of senior management that is necessary for a sustainability strategy to gain traction and succeed.

Although the vendor community fears that green production will increase costs, sustainability is considered a point of differentiation with the consumer and can be a competitive advantage. Among the ideas that Gap has considered is giving credit to a consumer who brings back a pair of jeans when purchasing a new pair.

Gap also has been an early mover in social responsibility with its line of Gap (Product) RED T-shirts, which are made of 100% African cotton; 50% of the profits go back to the community via the Global Fund to help women and children affected by AIDS. Product Red is a brand licensed to partner companies such as American Express, Apple Inc., Starbucks, Converse, and Gap. Each partner company creates a product with the Product Red logo, with a percentage of the profits given to the Global Fund.

According to research from the National Retail Federation (NRF), an industry trade group, consumers increased green behavior at retail in 2008, despite the faltering economy, with 61% of consumers saying they had bought a green product. Research has shown that shoppers remain unwilling to pay a premium for sustainability, and that age is an important factor in green attitudes and behavior, with more than two-thirds of under 34-year-olds being green buyers versus over half of those over 45. Interestingly, representatives from Old Navy and Kohl’s mentioned that 100% of their college-age recruits have asked about each company’s sustainability strategy and programs.

STORES MOVE INTO OVERSEAS MARKETS

Many of the companies we survey are looking abroad for growth opportunities, given the weak domestic market. While apparel brands (and traditional wholesalers) such as Nike and Calvin Klein have had international operations for more than 40 years, this is a relatively new strategy for many apparel retailers.

Gap first expanded overseas in 1987, opening a store in London, and then additional stores in the UK, Canada, and France. By 1995, Gap had 164 international stores, representing 9.8% of its total. In the last decade, Gap has closed a number of these locations and pursued a franchise model to expand internationally. In fiscal 2011 (ended January 2011), Gap intensified its international strategy, opening stores in Europe and China, outlets in Europe and Canada, and an e-commerce platform in Canada and Europe. As of July 2011, Gap operated more than 190 company-operated stores in the UK, Ireland, France, and Italy, and had more than 180 franchise stores in 25 countries throughout Asia, Europe, Latin America, the Middle East, and Australia. In fiscal 2011, Gap had sales of \$2.9 billion (20% of consolidated sales) derived internationally. Given its current thrust, we see international penetration increasing in the next few

years. Urban Outfitter was also an early mover into international markets: in fiscal 2011 (ended January 2011), 10.7% of its sales were derived from abroad.

In addition to the strength of the aforementioned middle-market brands, China is emerging as a strong driver of the global luxury goods market. Bain & Co. estimates that China accounted for €7.1 billion of luxury goods sales in 2009, up 20% from 2008, and following a 30% gain in 2007. For 2010, the estimate is a 30% growth rate to €79.2 billion. With positive demographic and income trends for the foreseeable future, the Chinese luxury market should thrive, in Standard & Poor's view, albeit with more competition as more brands enter this next frontier. Coach and Polo Ralph Lauren are just two well-known brands that have increased their focus on Chinese mainland expansion, as well as Europe's fashion capitals (such as Paris, London, Rome, and Milan) to be where the Asian tourist travels. According to Bain & Co., greater China is the third largest luxury market, after Europe and the US.

More companies are looking toward international sales, but it requires expertise in site selection and merchandise assortment, and the ability to adapt to local market conditions. Abercrombie & Fitch has opened adult flagship stores in Milan, London, Fukuoka (Japan), and Copenhagen, with plans for Paris and Madrid in 2011; in 2010, its Hollister brand opened about 30 mall-based stores in Europe and 10 in Canada.

For luxury goods makers, Asia is an alluring market, but one that is also feeling the impact of the global economic slowdown. Japan has traditionally been a strong market for luxury goods, thanks to its consumers' taste for high-end products. Jewelry retailer Tiffany & Co. has 108 retail locations in the Asia-Pacific region (including Japan), where it generated 36% of its revenues in the fiscal year ended January 2011; in the Americas, Tiffany's 96 locations generated 51% of the company's revenues for the same period.

Some US retailers are also continuing to expand their operations in Europe. For example, Urban Outfitters, in January 2011, had 22 Urban Outfitters store locations in Europe and 10 in Canada; and two Anthropologie stores in the UK and four in Canada. Abercrombie & Fitch, the popular lifestyle retailer, encountered sluggish domestic demand through much of 2010, but international growth was a bright spot for both the Abercrombie & Fitch and Hollister brands. Abercrombie & Fitch has opened adult flagship stores in Milan, London, Fukuoka (Japan), Copenhagen, and Paris, with plans to open stores in Brussels, Dusseldorf, Madrid, and Singapore in the fourth quarter of fiscal 2012 (ending January 2012); in 2011, its Hollister brand will open about 40 international mall-based stores.

Upscale retailers consider China's growth rates to be attractive, and are trying to sell to that nation's burgeoning middle and upper classes. China's economy grew at an 8.7% pace in 2009, picking up steam in the final quarter, when it was up 10.7% on an annualized basis. According to economic forecaster IHS Global Insight, China's GDP is expected to grow 10.1% in 2010 and 8.7% in 2011. China is Nike's second largest market, generating sales in excess of \$1.7 billion annually. Tiffany has 21 boutiques in China. Coach Inc. ended 2010 with 52 stores in China, with another 25 set to open before its June 2011 fiscal year end. Coach is achieving double-digit comparable store sales (comps) in the region, and projects sales of \$175 million in China in fiscal 2011, up from \$100 million in the fiscal year ended June 2010. Coach has accelerated its China growth strategy and now sees \$500 million in sales in 2014 and a 10% market share (up from 5% currently). By 2015, about 27% of China's households will be upper-middle-class or better, according to consulting firm McKinsey & Co., up from 10% in 2005, making Coach's goals realistic.

Foreign retailers enter the US

At the same time that US retailers are looking abroad, international competitors are moving into the United States—and often bringing with them unique ways of operating. Two examples are Sweden's H&M Hennes & Mauritz AB (H&M) and Spain's Industria de Diseño Textil SA (Inditex), which owns the Zara clothing chain and others. The two companies offer fashionable clothing at inexpensive prices, and they turn over their inventory more rapidly than competitors—thus encouraging shoppers to visit often and buy items that they like on the spot. Both companies have grown their brands by offering what some call “disposable chic” or “fast fashion”—exceptional fashion quality at affordable prices.

Both retailers enjoy healthy margins and growing sales. H&M's gross margin was 62.9% in 2010, up 130 basis points on an 11% sales increase. Inditex's net sales increased by 13% in fiscal 2011 (ended January

2011) and its gross margin was 59.3%. By comparison, The Gap Inc. had a gross margin of 40.2% for its fiscal year ended January 2011.

More European competition might be traveling across the Atlantic. The United Kingdom's Topshop (a unit of Arcadia Group), another low-cost, high-fashion retailer, opened its first US store in 2009, but none since then despite interest in the company's popular trendy collections inspired by supermodel Kate Moss that have generated a fair amount of buzz.

Specialty retailers follow shoppers to lifestyle centers

With mall growth stagnant since 2000, it is no wonder that growing specialty concept retailers opened stores in "lifestyle centers"—upscale, outdoor shopping areas designed to look like an urban street and typically located near affluent suburbs. Of the more than 150 lifestyle centers in the US, about half have opened since 2002, according to data from the International Council of Shopping Centers, a trade group.

Lifestyle centers are popular for several reasons. Developers are finding it difficult to find large parcels of land for malls, and retailers find rental maintenance costs lower at lifestyle centers than at traditional malls. According to Poag & McEwen, the retail developer that first coined the term, sales at lifestyle centers tend to be about \$400 to \$500 per square foot, compared with \$330 per square foot at traditional malls.

The boom in luxury goods that slowed in 2008 also may have played a role in the spread of lifestyle centers. Affluent shoppers seem to prefer a boutique-like atmosphere, which is very different from enclosed, 100,000-square-foot malls anchored by a few department or discount stores. Often, tenants at lifestyle centers include stores from companies such as Banana Republic (owned by Gap), Coach Inc., Chico's, and Pottery Barn (owned by Williams-Sonoma Inc.), as well as higher-end restaurants.

DEMOGRAPHIC TRENDS

Because specialty retailers usually target a narrow market, they must pay close attention to the age distribution, ethnic background, and priorities of potential customers in their markets.

Teens entering adulthood

Teenagers aged 15 to 19, who represent about 7.1% of the US population, have been a powerful force in retail over the past decade. Gap, Abercrombie & Fitch Co., American Eagle Outfitters Inc., and Urban Outfitters Inc. have been among the leading beneficiaries.

Today, a large share of the roughly 71 million Americans born between 1977 and 1994—a group dubbed "Generation Y" or "Millennials" by market researchers—have entered adulthood. This is an attractive group for retailers. Shoppers aged 25 and older, for instance, often have more to spend on apparel and may need to expand their wardrobes to include professional clothes for the office. Consumers aged 20 to 34 accounted for about 24% of spending on apparel in the first quarter of 2009, up from 23% in the first quarter of 2008, according to estimated consumer data from research group NPD Fashionworld.

Retailers that traditionally targeted teens are trying to hold onto those consumers as they enter their twenties. Stores that targeted this demographic included Ruehl (from Abercrombie & Fitch), aimed at men and women aged 22 to 35, and Martin + Osa (American Eagle Outfitters), a chain that debuted in the fall of 2006 for shoppers aged 25 to 40. Results were mixed, however, and both of these chains have been shuttered. J Crew Group launched the Madewell chain of 20 stores to target the female 20-something; Urban Outfitter's Free People stores are aimed at the same demographic. The early read on both Madewell and Free People is positive, showing that perhaps 20-something women don't want to shop with the opposite sex.

Some retailers seeing progress in the struggle to draw older women

Specialty retailers and apparel manufacturers find the over-35 woman (or the "forever 39-year-old") a very attractive target customer. Although they had difficulty attracting her business during the recession, we believe we are seeing a turn in trend for this demographic.

Female shoppers, particularly those over the age of 35, spend the lion's share of retail dollars, making them the most desirable target for retailers. Much of this group belongs to the baby boomer generation (the nearly 76 million Americans born between 1946 and 1964). Specialty retailers are striving to reach these shoppers, who may be looking for fashionable clothes that are not too provocative or youthful. While this group tends to have significant discretionary income, it has been hurt by the global economic slowdown. In a challenging economic environment, many women are opting for practical "basics with a twist" that they can wear immediately and purchase for value prices at discount retailers, such as Wal-Mart and Target.

Specialty apparel retailers catering to the "forever 39" woman, including Ann Taylor, Caché, and Chico's, faced headwinds in 2009, as their target customers continued to face gloomy macroeconomic headlines, rising unemployment, and decreased household wealth—factors that continued to hurt apparel spending in 2010. However, we believe these consumers have opened their purses again to spend discriminatingly, a trend we see continuing in 2011. To boost store traffic and encourage spending, we see retailers increasing

trunk shows, and hosting "meet the designer" nights and similar special events, in lieu of increased promotional activity (which destroys brand equity in the long run, and profit margins in the short run). Even so, these specialty retailers are facing stiff competition from both the traditional luxury retailers as well as the discount stores.

Ann Taylor's comparable store sales increased by 11% in the final fiscal quarter ended January 2011 (versus a 0.6% comp store decline in the same period a year earlier), led by a 21% gain in its moniker division and a 4% comp at Loft. We see results from Ann Taylor benefiting from shoppers trading down from higher-priced department store brands.

Chico's began to see its sales trend improve in 2009 as well. Comps rose 3.1% in the October quarter versus a year-ago 12.8% comp. Both its Chico's and WhiteHouse/ BlackMarket concepts are in positive territory and, with new marketing and sharp fashion product, we see this company attracting new consumers.

Specialty retailers are losing shoppers to department store chains that have overhauled selections to bring shoppers back. Chains such as J.C. Penney Co. Inc., Kohl's Corp., and Macy's Inc. are offering more exclusive private-label goods that are fashionable.

Department stores invest in destination brands

To maximize the profitability of their selling floors, department stores are replacing weak national brands with private label and exclusive brands that are enabling them to establish unique identities in the marketplace.

◆ **Macy's.** Private label, exclusive, and limited-distribution brands account for over 42% of net sales in Macy's-branded stores. The chain's private brands include Alfani, Charter Club, INC, Style&co., and Tasso Elba (men's and women's apparel, shoes, and accessories); Club Room and Field Gear (menswear); greendog and First Impressions (infant and children's apparel); and Hotel Collection, The Cellar, and Tools of the Trade (home and housewares). Exclusive and limited-distribution brands include Frango (chocolates), T Tahari (better women's sportswear by designer Elie Tahari), Rachel Rachel Roy (contemporary women's sportswear, footwear, and accessories), Tommy Hilfiger (women's and men's sportswear), and Martha Stewart Collection (bed, bath, entertaining, and cooking products).

Macy's has added a couple of well-known names to its exclusive brand portfolio in recent months. In spring 2010, the company became the exclusive department store retailer of Ellen Tracy-branded women's

US POPULATION PROJECTIONS

AGE GROUP	----- 2011 -----		----- 2015 -----		----- 2030 -----	
	NUMBER (THOUS.)	% OF TOTAL	NUMBER (THOUS.)	% OF TOTAL	NUMBER (THOUS.)	% OF TOTAL
Under 5 yrs.	21,290	6.8	22,076	6.8	23,484	6.6
5 to 14 yrs.	41,600	13.3	43,365	13.3	47,225	13.2
15 to 19 yrs.	21,570	6.9	21,209	6.5	23,545	6.6
20 to 24 yrs.	22,114	7.1	22,342	6.9	23,168	6.5
25 to 29 yrs.	21,465	6.9	22,400	6.9	22,417	6.3
30 to 34 yrs.	20,979	6.7	22,099	6.8	23,699	6.6
35 to 39 yrs.	19,894	6.4	20,841	6.4	23,645	6.6
40 to 44 yrs.	21,164	6.8	20,460	6.3	22,851	6.4
45 to 49 yrs.	22,216	7.1	21,001	6.5	21,154	5.9
50 to 54 yrs.	22,375	7.1	22,367	6.9	20,404	5.7
55 to 64 yrs.	37,443	12.0	40,544	12.5	41,952	11.7
65 yrs. & over	41,123	13.1	46,837	14.4	63,907	17.9
All ages	313,232	100.0	325,540	100.0	357,452	100.0

Note: Totals may not add due to rounding.

Source: US Department of Commerce, Population Series P-25.

sportswear. (Ellen Tracy is a former bridge brand carried by Saks and other upscale retailers.) Fall 2010 saw the addition of Kenneth Cole Reaction men's sportswear, and Material Girl, the new fast fashion juniors' line from entertainer Madonna. In spring 2011, Macy's launched the Sean John men's sportswear collection from entertainer Sean "Diddy" Combs and the early response has been favorable.

◆ **J.C. Penney.** J.C. Penney has one of the most successful private-label businesses among its peers. The company's stable of in-house brands include American Living (family apparel, accessories, footwear, and home décor), Cooks (housewares), Cindy Crawford Style and Linden Street (home furnishings), a.n.a, Ambrielle, and Worthington (women's wear), J.Ferrari and Stafford (menswear), and Uproar (tweens). J.C. Penney also offers numerous exclusive brands such as nicole by Nicole Miller (women's dressy casual apparel), LeTigre (juniors and young men's apparel), Olsenboye (juniors), and Fabulosity and Bisou Bisou (contemporary women's sportswear). Collectively, J.C. Penney's private and exclusive brands account for approximately 50% of annual net sales.

J.C. Penney has been investing in exclusive brands for its "better" and "best" price zones since 2007. An example is American Living, which we see appealing to shoppers of the Ralph Lauren brands carried by Dillard's Inc. and Macy's. Through its successful partnership with Liz Claiborne Inc., J.C. Penney became the exclusive department store retailer in the fall of 2010 of the Liz Claiborne and Claiborne brands, which replaced the Liz & Co. and Concepts by Claiborne lines formerly sold in JCPenney stores. These brands have been a winner for both companies.

J.C. Penney has also been leveraging exclusive brands to build its base of contemporary customers—women under 35. These include I "Heart" Ronson, a women's sportswear line by Charlotte Ronson; ALLEN B., a women's sportswear and dress collection by Allen B. Schwartz; and MNG by Mango, a collection of women's career and casual women's sportswear, handbags, accessories, and footwear, that represent J.C. Penney's attempts at fast fashion. These brands also provide the company with the potential to set (rather than follow) fashion trends.

◆ **Kohl's.** Kohl's continues to fill out its contemporary apparel category with new lifestyle brands. In fall 2011, Kohl's will launch the Jennifer Lopez and Marc Anthony collections of high-quality contemporary styles. In spring 2009, the company became the exclusive retailer of Dana Buchman, a former women's bridge apparel brand. In our opinion, the Dana Buchman brand, along with the Simply Vera Vera Wang by Vera Wang brand (launched in 2007), are particularly important, as both have raised the profile of the Kohl's brand among more affluent consumers who are not among the chain's core demographic.

Parallel with its brand-building initiatives, Kohl's has been working to deliver new assortments more frequently to its shoppers. Through its Concept to Customer initiative, the company is designing and delivering the majority of its products to its stores within 32 weeks. Thus, though Kohl's is not setting fashion trends, it is able to deliver the newness that shoppers seek.

◆ **Sears.** While Sears launched several fashion apparel brands in 2004 and 2005, poor customer response has led to a focus on more basic apparel styles since 2006. The company's private-label apparel collections include Apostrophe, Canyon River Blues, Classic Elements, Covington, Structure (a brand acquired from Limited Brands Inc. in September 2003), and Lands' End.

Even Sears and its sister Kmart division are leveraging fashion to reach new customers. In 2010, Sears launched a new brand targeting younger customers called Lands' End Canvas, which is available online and in 24 Lands' End Canvas shops within Sears' stores. The company has also collaborated with UK-based fashion retailers Next and French Connection to broaden its contemporary assortment. Sears has been the exclusive US online retailer of Next branded apparel, footwear, and accessories for men, women, and children since fall 2010, and of UK Style by French Connection branded clothing and accessories for men, women, and children since spring 2011. Through partnerships with reality television celebrities Kim, Kourtney, and Khloe Kardashian, and actress Sofia Vergara, Sears will launch the Kardashian Kollection of women's apparel, handbags, lingerie, jewelry, and footwear, while Kmart will launch, in the fall, the Sofia Vergara line of women's sportswear, dresses, handbags, jewelry, and footwear.

A LOOK AT THE INTIMATES CATEGORY

Intimates has a number of attractive characteristics as an apparel category: notably, that since intimates (or bras and panties) are staples and luxuries, the category is less cyclical than fashion, and provides growth opportunities for four specialty retailers.

Limited Brands' Victoria's Secret has been on a tear of late, reporting a 14% comp gain for the fiscal year ended January 2011; and momentum continued in the first quarter of 2012 (ended April 2011) with a 19% comp increase. With brand sales of \$5.5 billion in fiscal 2011, Victoria's Secret is the juggernaut in the intimate apparel space, though an estimated 35%–45% of its sales are in categories other than traditional intimates (bras, panties, slips, and foundations). Strength in the Victoria's Secret brand has allowed for successful extensions to fragrances (with three of the top 10 selling fragrances in the US), cosmetics, and all forms of apparel and accessories at Victoria's Secret Direct (where 10% of its \$1.5 billion annual retail volume was shipped to international locations in fiscal 2011).

According to NPD Fashionworld, a market research and consulting firm, the domestic intimate apparel market generated \$10.7 billion at retail in 2010, exhibiting a slight 1% volume contraction compared with the 2% growth achieved by the total apparel market. Sleepwear, hosiery, and swimwear added another \$16.3 billion to the market, and fragrance \$5.3 billion. If we add cosmetics and personal care (a \$382 billion global market according to Euromonitor), we estimate that the opportunity set for the Victoria's Secret brand quadruples to \$100 billion in the US and another \$100 billion internationally. We think this is a conservative estimate, given the remaining approximately \$83 billion domestic women's apparel market (a \$1 trillion worldwide market, according to Datamonitor, including men and kids).

The overt sexuality of the VS brand is intimidating to many young women, ergo, development of the sub-brand Victoria's Secret Pink in 2004, positioned as an aspirational brand celebrating campus life designed to appeal to the spirit, humor, optimism, and self-confidence of the college woman. Pink has grown into a \$1 billion brand currently sold in 13 US and eight Canadian stand-alone stores, as well as 1,000+ Victoria's Secret stores. Ideally, the Pink customer graduates to a Victoria's Secret customer, where her intimate needs can be met until she's 40-ish, when Chico's FAS's Soma is eagerly awaiting her arrival.

What triggers our interest is how many specialty apparel brands are testing the intimates market, notably in the youth (18-24 year old) market. The intimate category differs from the apparel category in that demand is less discretionary than fashion apparel, yet it is a relatively cheap way to splurge or treat oneself and a thoughtful gift from one's significant other. Moreover, raw material cost inflation is not a significant factor, in our view. Traditionally, intimates have been sold in a second-story corner of a department store or national chain such as Macy's, Sears, J.C. Penney, or Kohl's. NPD puts the combined market share at 30%, and the mass channel at another 33%. Maidenform is a significant player in these channels, where in 2010 approximately 42% of its sales were to department stores and national chain stores, and another 28% to mass merchants.

Limited Brands was the first to take the category to the specialty store format (which captured the leading 37% category market share in 2010) in scale. But as Les Wexner, Limited Brand's founder and CEO, frequently notes, there is a lot of prime "white space" for growth opportunists, and if Victoria's Secret can execute a successful sub-brand with Pink, why can't American Eagle Outfitters or Chico's?

This is not as easy as it sounds, but we think the worst is behind them as both concepts are reaching critical mass and beginning to benefit from scale economies in sourcing (bra manufacturing is far more complex than apparel, with as many as 75 steps in assembly). With Soma approaching 150 stores, we believe they will break even by the end of fiscal 2012 (ending January 2012); thereafter, we anticipate that Soma will provide attractive growth, with the opportunity for 500+ domestic stores and categories spanning traditional intimates as well as sleepwear, activewear, and very casual attire.

At aerie, sold at 150 stand-alone stores as well as the 1,000+ American Eagle Outfitters locations, success was early as the American Eagle girl was quick to walk across the store to the aerie shop-in-shop. But as the brand extended over an increasing number of categories from dormwear to personal care and activewear,

we believe it was cannibalistic to American Eagle. Let's call it growing pains combined with designer turnover and a moribund economy amid high teen unemployment. Comps at aerie were -7% (lapping a very tough +26%) in the most recent April quarter, but American Eagle is working to return aerie to its intimates roots targeted at a slightly older (20-year-old) shopper and build brand awareness. We expect increased bra launches and a smattering of activewear and fragrance and personal care items to return to the stores later this year. The goal is to break even in fiscal 2012 (ending January 2012) and, ultimately, to grow the aerie concept to about 400–500 stores.

Abercrombie & Fitch joined the fray in 2008 with its twist on intimates by sprinkling a little fun and sand in the launch of Gilly Hicks; officially labeled as, “the cheeky cousin of Abercrombie & Fitch, inspired by the free spirit of Sydney, Australia... the All-American brand with a Sydney sensibility.” We believe Gilly Hicks benefits from the A&F association, and on a recent channel check to the Westfarms in Farmington, Connecticut, we saw cross-marketing at A&F and Hollister for Gilly Hicks (20% off a Gilly Hicks purchase with a receipt from A&F or Hollister). Presently, there are 18 US Gilly Hicks locations in the US and one in the UK.

Our take on the attributes of these youth intimate brands is that aerie is feminine and demure, delicate and girly; Pink is brash and colorful, irreverent and flirty; and Gilly Hicks is sporty beach-babe with an easy Australian laidback style. On the merchandise front, the differences aren't so great, though Pink is the most colorful and Gilly Hicks the most nuanced. In terms of sizing, we see Pink and aerie providing dormwear to most body types and Gilly Hicks just the skinny-model type.

Another new intimate youth brand is scheduled for launch this summer by Maidenform, with an expected rollout of its Maidenform's Charmed collection of bras and panties, in about 450 Macy's stores this month. It will be interesting to see if the target 18- to 22-year-old will find the intimates department within the behemoth of Macy's.

In sum, despite Victoria's Secret accounting for an estimated 1 in 4 bras sold to women under 30 in the US, we see substantial opportunity for Victoria's Secret along with these newer brands, as they grow and develop, to include product extensions, and channel and geographic penetration. With a Victoria's Secret flagship opening in London in 2012, we see Europe's fragmented intimates market as fertile ground for the Victoria's Secret brand.

SPORTING APPAREL GOES HIGH-TECH

Athletic apparel has come a long way from the era of pairing a dowdy gray cotton sweatsuit with tennis shoes. Now, athletic togs promise to hug the body with materials that insulate the wearer from cold weather, while wicking away sweat to boost performance. Running shoes can be synced with computers to measure performance. Other advances in sports apparel include tagless T-shirts and fabrics that manage odors.

Technological advancements allow manufacturers to maintain or increase prices and keep consumers loyal to their brands. Consumers have responded to the high-tech offerings, with activewear apparel sales reaching \$60 billion in 2008, according to NPD Consumer estimated data.

◆ **Under Armour.** One of the pioneers in advanced athletic apparel is Under Armour Inc. Founded in 1996, the company offers compression apparel that regulates body temperature by wicking away perspiration to keep an exerciser comfortable. Users wear the company's HeatGear line when it is warm, ColdGear when it is cold, or AllSeasonGear for moderate temperatures. Revenues have more than doubled since 2005, to \$1.1 billion in 2010, as it expanded into apparel for women and footwear. We look for revenues to increase 35% in 2011 and 25% in 2012, following an increase of 24% in 2010. Under Armour has opened a few of its own retail stores and expected to end 2011 with 72 factory stores in the outlet channel.

◆ **Adidas.** Adidas AG introduced the Adidas 1 running shoe in 2005. The shoe's technology, which is available in basketball and running shoes, uses sensors, a microprocessor, and a small motor to adjust the level of cushioning provided by the shoe. Adidas also offers stylish workout clothing and accessories

through collaborations with British designer Stella McCartney. The designs are sleek and look appropriate even when worn outside of the gym.

◆ **Nike.** Nike teamed with computer and consumer electronics company Apple Inc. to develop the Nike+iPod Sport Kit, which allows Nike footwear to “communicate” with Apple’s iPod Nano portable music player. A user places a sensor into a Nike sneaker, which relays information on speed, distance, and calories burned to the music player, which can then be broadcast through the user’s headphones.

LUXURY IS STRENGTHENING, BUT VALUE GOODS ARE HOLDING UP AS WELL

We see strong demand for value-priced apparel and accessories sold by discounters. Luxury goods had been strong before the mortgage and financial crises pulled the US into a recession and led to slower global growth starting in late 2007. Although upper-middle-class and wealthy consumers were more insulated from higher energy prices during much of 2007, they began to pull back spending in the second half of 2008. Luxury spending fell 34% in the 2008 holiday shopping season (November 1–December 24, 2008), according to MasterCard SpendingPulse, a macroeconomic indicator that reports on US consumer spending in a variety of categories. That steep fall was reversed in the same period in 2009, when luxury sales rose 5.5%, though sales remained significantly below 2007 levels.

High-end department stores Nordstrom Inc. and Saks Fifth Avenue experienced a loss of business in fiscal 2009 from so-called “aspirational luxury shoppers,” who retrenched as household wealth declined. Between the two companies, Nordstrom was harder hit as spending by Saks’s wealthiest shoppers remained intact until September 2008, when the US stock market collapsed. We also believe that Saks benefited from a weak US dollar that led to an influx of foreign tourists seeking out bargains on luxury goods. There are several full-line Saks Fifth Avenue stores located in tourist markets, including the New York City flagship store, which accounted for about 20% of total company sales in fiscal 2010 (ended January 2010).

Sales trends stabilized at a “new normal” level in the second half of 2009 for most luxury industry participants. Nordstrom closed fiscal 2010 (ended January 2010) with a 4.2% comp store decline (versus a 9% comp decline in the previous fiscal year), despite the 7.1% comp increase in the final fiscal quarter of 2010. In fiscal 2011, Nordstrom’s comp increased 8.1%, and year-to-date comps through June 2011 rose 7%. We note the comp metric reflects strength at Nordstrom full-line stores, where the year-to-date comp was +8.1%, versus the +2.8 at Rack locations.

Value at the forefront

Shoppers are still favoring value goods—many of which are improving in quality and fashion—thanks to an infusion of top designers turning out moderately priced collections. Two European specialty retailers have been particularly successful at offering lower-priced goods, and both are undergoing aggressive expansions into the United States. Sweden’s H&M and Spain’s Inditex have used unconventional means to expand their businesses. Inditex, for example, does virtually no advertising, relying instead on sleekly designed stores in centrally located neighborhoods in major cities. Although H&M sells inexpensive goods, it knows its shoppers are fashion-conscious.

US-based apparel retailers and manufacturers are continuing to hire designers to produce merchandise at the low end. Discounter Target has recently featured a collaboration with design house Liberty of London, and this fall will collaborate with Missoni with collections for men, woman, children, and home. While Standard & Poor’s sees Target benefiting from some trading down by consumers, we still see it at risk of losing market share to Wal-Mart. We project that Target’s same-store sales will increase 4% in the fiscal year ending January 2012, following the 2.1% gain for the fiscal year ended January 2011, as value seekers benefit from a 5% price reduction for holders of Target’s private label RED credit card.

We also believe Wal-Mart is doing a better job of marketing its strong value proposition to consumers. In our opinion, Target’s “Expect More. Pay Less.” brand message has traditionally put more emphasis on product design than low prices. Although Target has increased its efforts to communicate low prices in its circulars, in-store signing, and merchandise presentation, and even though we think the company may be benefiting from some trading down by consumers for staples, we think it might still lose market share.

OFFSHORE SOURCING

In the ongoing push to cut expenses, US apparel and footwear manufacturers increasingly have moved their production facilities to lower-cost regions outside the United States—notably Mexico, the Caribbean, Central America, Asia, and sub-Saharan Africa. Many manufacturers, though, have retained some facilities in the United States to manufacture products that require a fast turnaround time.

Following the 1995 implementation of the North American Free Trade Agreement (NAFTA) and the subsequent lowering of tariffs, apparel manufacturing in Mexico and the Caribbean grew significantly. The proximity of these countries to the United States means that their facilities can offer significantly shorter shipping times compared with Asian manufacturers, while also providing low-cost production—factors that are especially important for basic goods.

Legislation in the last several years has sustained the long-term shift to offshore sourcing. The Trade Act of 2002 was approved by the US Congress in July 2002 and signed into law by President George W. Bush. This legislation contains the Trade Promotion Authority, which grants the president the right to negotiate trade agreements and gives Congress the final authority to approve or disapprove those agreements. It also contains the Andean Trade Preference Act, which provides duty-free access to most apparel, and virtually all footwear, from the Andean region of South America (Bolivia, Colombia, Ecuador, and Peru). The new legislation made certain retroactive modifications to the May 2000 Caribbean Basin Trade Partnership Act and the African Growth and Opportunity Act (AGOA), both of which carry numerous breaks for footwear and apparel from countries in those regions.

Standard & Poor's believes that, while tariff and quota preferences for apparel and footwear produced in the Caribbean basin, the Andean region, and, to a lesser extent, sub-Saharan Africa, helped increase sourcing from these regions, the trend is not likely to last. In the long term, we expect China's share of apparel and global manufacturing to increase dramatically, facilitated by its entry into the World Trade Organization (WTO) on December 11, 2001, and the elimination of quotas among all 149 WTO-member countries in 2005.

China accounted for 37.2% of all apparel imported into the United States in 2009, capturing more than five market share points, rising from 32.0% in 2008, according to OTEXA (the Office of Textiles and Apparel, part of the US Department of Commerce). That is more than double the share in 2004, before textile quotas against the country were lifted.

Although China's apparel exports to the US rose 20% in 2007, the trend slowed with a 0.1% growth rate in 2008 and a 2.5% rate for 2009. An appreciating yuan and rising production costs are driving Chinese prices to much higher levels. These factors, along with a slowdown in the US economy, will likely attenuate the rate of growth that Chinese imports have enjoyed in the US. Another factor is that quotas in place on mainland Chinese textile merchandise were in place until the end of 2008. However, the US National Council of Textile Organizations has been lobbying for measures to ensure that imports of mainland Chinese textiles and apparel continue to be restrained in the future.

Having plants in Mexico and the Caribbean provides a quick turnaround time, an advantage that may prove increasingly significant for manufacturers in those areas as China's low-cost advantage erodes. Nevertheless, as Chinese manufacturers improve quality, they will be able to maintain and grow their share of the US (and the world's) apparel market, in our view. China's factories employ highly skilled laborers capable of producing complex garments. In contrast, AGOA-eligible countries are unable to produce fashionable, high-quality garments due to the generally low levels of technical expertise and literacy, underdeveloped infrastructure, and a dearth of capital. In addition, companies that set up and run plants in China are taxed by the Chinese government at a lower rate than if those plants were operating in the United States. Moreover, by keeping their sweetened profits in China, US-based apparel makers can fund future growth.

HOW THE INDUSTRY OPERATES

Although apparel and accessories can be considered as two separate industries, they often overlap, with many companies selling goods in both categories. In addition, their consumer demand profiles are similar: apparel and accessories such as footwear are necessities, yet they are partly discretionary as well.

At their most basic level, these industries supply people with utilitarian attire that is affordable and unlikely to change drastically in style from year to year. For more fashion-conscious consumers, the industries strive to update their assortments to reflect changing trends or to offer innovative styles or features that command premium prices.

While individual companies' sales depend on the specific products they offer, overall industry demand is driven by general economic trends, including changes in disposable personal income, consumer confidence, and consumer spending. During periods of prosperity, for example, consumers are more inclined to update their wardrobes, buy the newest fashions on a whim, or splurge on luxury items. During recessions, consumers tend to shy away from luxury goods, postpone apparel and footwear purchases that are not absolutely necessary, or replenish their wardrobes with inexpensive items.

Population growth and demographic trends also influence demand. Obviously, when the number of people rises, so does overall demand for apparel and accessories. However, with the US population growing by only 1% per year, companies in this industry are looking overseas for growth opportunities. Economic growth will be particularly dramatic in Asia. According to the World Bank, more than 600 million people in East Asia will earn enough to be considered middle class by 2030, up from just more than 100 million in 2000.

Demographic trends within the United States also can affect the quantity and type of apparel and accessories consumers demand. For example, as the leading edge of the baby boomer generation (those born between 1946 and 1964) enters retirement, these consumers have shifted their spending priorities to needs other than clothing, such as healthcare. They are also more likely to buy comfortable clothes and shoes rather than the latest fashions.

Changes in consumer attitudes and preferences also have an effect on apparel demand. Apparel designers and merchants must adapt to lifestyle and fashion trends by altering their product lines. To accommodate consumers' increasing emphasis on fitness and exercise, for example, many apparel manufacturers have added athletic styles to their mix. Preteen and teen markets tend to be particularly fashion-driven, and apparel and footwear brands must closely monitor and anticipate the ever-changing styles and items that these consumers want.

Although these industries are mature and slow growing, they exist in a dynamic and competitive environment. In order to improve profitability, many companies are adopting new technologies and restructuring to create leaner organizations. Consolidation has been prevalent in these industries in recent years, as larger companies strive to lower their costs by gaining leverage in buying from suppliers and selling to customers, and by achieving economies of scale in manufacturing and marketing. Moreover, the line between traditional manufacturers and retailers is blurring: the Internet offers brands direct access to their customers, while traditional department stores develop proprietary store labels for differentiation purposes.

DIVERSE PRODUCT LINES AND WAYS OF OPERATING

The apparel and accessories industries are diverse, with hundreds of product lines designed for men, women, and children in a wide range of styles and price points. Each line is designed specifically for a targeted consumer group, based on its observed and expected trends and needs.

In the apparel industry, companies can operate as manufacturers (wholesalers), as retailers, or as both. For instance, Gap Inc., a vertical retailer, outsources the production of its apparel and accessories, which it then sells in its own stores. Some manufacturers, like Kellwood Co., sell almost exclusively to retail channels. Yet others, like Quiksilver Inc., Jones Apparel Group Inc., and Liz Claiborne Inc., distribute their products through multiple channels, combining traditional retail channels with their own retail stores.

An apparel manufacturer may sell its products under its own brand name, a brand name that it has licensed from another company, or a retail customer's private label. For a manufacturer, private-label manufacturing not only provides an additional source of revenue, but also allows its plants to run at greater capacity, thus reducing the per-unit production costs of its own branded goods. Moreover, since the manufacturer does not have to support the marketing of private-label goods, such items can be almost as profitable as branded products. The increasing diversification of operations means that the roles of apparel manufacturer, retailer, brand manager, and licensee continue to overlap and blur.

APPAREL MANUFACTURERS' RETAIL OPERATIONS

COMPANY	FISCAL YEAR END	NO. OF STORES	RETAIL AS % OF NET SALES*
Carter's Inc.	Jan. '11	486	46
Coach Inc.	Jun. '11	729	87
Branded stores		345	...
Factory stores		142	...
Asia†		242	...
Jones Apparel Group	Dec. '10	803	19
Branded stores		279	...
Outlets		524	...
Liz Claiborne	Jan. '11	1,211	75
Branded stores		482	...
Outlets		309	...
Concessions		420	...
Nike	May '11	756	12
Oxford Industries	Jan. '11	138	NA
Phillips-Van Heusen	Feb. '11	650	NA
Polo Ralph Lauren	Mar. '11	603	48
Ralph Lauren		106	...
Club Monaco		58	...
Rugby		12	...
Outlets		191	...
Concessions**		236	...
Quiksilver	Oct. '10	764	NA
Owned stores		540	...
Franchised stores		224	...
Timberland	Dec. '10	228	28
Wolverine	Dec. '10	88	NA
V.F. Corp.	Dec. '10	786	18
Branded stores		711	...
Outlets		75	...

NA-Not available. *Includes Internet and catalog sales.

†Department store shop-in-shops, branded stores, and factory stores. **Concession locations.

Source: Company reports.

Broad apparel categories include sportswear, career apparel (comprising both traditional and casual styles), dress, and athletic apparel. Price points in the apparel industry are (in ascending order) popular, moderate, better, bridge, and designer.

Fabrics play an important role in function and quality. In general, woolsens and knits are high-quality fabrics that can command higher selling prices. Woven fabrics tend to be lower in both quality and price.

The women's segment traditionally has accounted for more than half of all apparel sales at retail. In 2010, this segment's share was 56% (up from 55% in the 2006–09 period), according to NPD Fashionworld, a market research and consulting firm. Men's apparel has consistently accounted for 27% of retail apparel sales on an annual basis since 2006; and children's apparel (including infants' and toddlers') has accounted for 17%, down from 18% in the 2006–09 period. Overall apparel spending increased 1.9% in 2010 to \$192.7 billion, following a 5.2% decrease in 2009, a 3.4% drop in 2008 and a 4.2% gain in 2007, when total apparel expenditures reached \$206.2 billion, according to NPD.

Many traditional apparel vendors, aiming to diversify their assortments, offer complementary accessories like costume jewelry, handbags, hats, belts, watches, sunglasses, scarves, gloves, and footwear. A smaller number of firms are niche players in the accessories market, targeting different price points. For example, Coach Inc. aims for the premium-priced segment, while Fossil Inc. and Claire's Stores Inc. focus on the moderate- and popular-priced markets, respectively.

The unique skill set of vertical apparel retailers

The desire to better control their destiny has propelled apparel companies like Liz Claiborne to develop a specialty retail strategy. In this approach, the store location is a branding tool; merchandise presentation and customer service are integral to the total brand experience. Companies that market wholesale apparel brands, in contrast, depend on the retailer for prime store real estate, as well as for knowledgeable and engaged store associates.

In addition to the marketing and product skills (design and sourcing) that are common to both wholesalers and retail apparel brands, specialty apparel retailers need real estate expertise, the ability to flow merchandise in a timely manner from sourcing base to individual stores (often by way of a distribution center), and in-store presentation and store labor scheduling skills. At the same time, they need to maintain brand positioning and not over-distribute the brand.

FACTORING

A factor is a specialized financial intermediary that purchases accounts receivable at a discount. Companies use factoring to manage their accounts receivable and provide financing. Under a factoring agreement, a company sells or assigns its accounts receivable in exchange for a cash advance. The factor's discount incorporates a credit risk premium (based on the likelihood of collecting the receivable), administrative fees, commissions, and interest charges.

Typically, apparel firms enter factoring arrangements because alternative (and cheaper) sources of credit aren't available. Without factoring, these vendors would not have the cash to operate fully and thus would be unable to deliver goods in sufficient quantities to the retailers. The result, retailers would face meaningful stock-outs, which would have a negative impact on revenues in an already weak environment.

According to the National Retail Federation, an industry trade group, CIT Group Inc. is the primary factor for roughly 2,000 vendors, most of which generate less than \$100 million in revenue. These vendors deliver to about 300,000 retailers. According to several factoring companies, CIT's portion is sufficiently large that it would be difficult for other players to absorb the total factoring needs should CIT be unable to participate in the market.

INTENSE COMPETITION

Despite years of consolidation activity, the apparel and accessories industries remain extremely competitive and highly fragmented. This is most likely due to the low barriers to entry: these industries are characterized by simple technologies, low fixed assets per employee, and ease of expansion through the use of contractors. One needs only good clothing designs that attract department store and/or specialty store buyers. If a designer gets orders, he or she can contract the production of the item to a low-cost, independent manufacturer, usually outside the United States.

Although getting into the business may be relatively easy, staying in is much more difficult. Typically, small start-up companies are undercapitalized and lack broad-based global sourcing; they may also lack marketing muscle to give their products the exposure needed to build brand loyalty among consumers. In addition, many do not have the technology and systems infrastructure that major retailers now demand. These small firms often seek to be acquired by larger companies as a way to expand the sales of their designs.

The power of big retailers is a major challenge for many apparel vendors and manufacturers. As retailers shrink their inventories and order closer to the time that merchandise is needed, manufacturers are forced to assume more inventory risk. In addition, their sheer size puts big retailers in a strong position to negotiate favorable terms with manufacturers, with regard to pricing, shipping, co-advertising (in which retailers and manufacturers share the cost of advertising), and product labeling.

Consumers also wield considerable power over apparel and accessories brands, as they can switch readily from one product or brand to another. To dissuade them from doing so, manufacturers attempt to raise brand awareness and build brand loyalty among consumers. A strong brand image typically gives a manufacturer more pricing flexibility by creating a "must-have" perception to the consumer. Of course, some segments, such as the popular-price segment, compete strictly on price: consumers purchase whichever product is the cheapest. Manufacturers in this segment must focus on obtaining low-cost manufacturing.

BRAND MANAGEMENT AND THE SPECIALTY RETAIL STRATEGY

Both traditional apparel brands (those available in department stores) and vertically integrated specialty apparel retail brands need to execute brand management strategies that create value for the consumer and brand equity for the apparel company. When apparel becomes a commodity, the apparel company's pricing power is nil and deflationary pressures (along with price wars) rule the day. On the other hand, when companies create apparel brands that provide some emotional meaning to the consumer, pricing is not the sole driver of purchases. Successful brands provide opportunities for brand extensions and potentially generate superior gross margins.

Over time, consumers have become “brand polygamists” according to Design Forum, a retail consulting firm, a position with which we heartily concur. To compensate for lower levels of brand loyalty, companies now must incorporate tangible product features, such as quality and appearance, with intangibles, such as a personal level of communication and innovation, an emotional connection, or aspirational value. For example, Nike Inc.’s NIKEiD program enables shoppers to design their own footwear, apparel, and bags. By bringing individual customization to the activewear giant, this program differentiates the brand from its competition and more thoroughly involves the consumer in the overall brand experience.

Lifestyle branding began with Ralph Lauren’s successful foray into domestics 25 years ago. The launch of the Martha Stewart Collection in 2007 was the largest brand debut in Macy’s history; the collection spans bed, bath, entertaining, and cooking in an exclusive branding statement with an authoritative editorial voice. Nevertheless, Martha Stewart is on the verge of overkill, in our view, with various product launches exclusive to other retailers (including Costco for food and Michaels Stores for crafts), along with her presence in Kmart; the brand’s growing ubiquity threatens to destroy it.

Brand management requires a balance between preserving and growing brand value (also known as brand equity) and capitalizing on opportunities to expand or stretch the brand. Done well, a brand extension can strengthen the “brand proposition”—the perception of value associated with the brand. However, extending a brand too far beyond its core associations or expanding its markets to less prestigious channels can weaken a brand. In our opinion, both Tommy Hilfiger and Polo Ralph Lauren pursued business strategies in the 1990s that reduced brand value. To address this, Ralph Lauren rationalized store distribution by exiting tertiary locations, while aggressively improving customer service in the department store. Now the brand is again elevated to the premier rung brand of men’s haberdashery in leading US department stores.

Superior brand strategy often translates into a sustainable competitive advantage and creates barriers for competitors to dislodge loyal customers. Other brand benefits include premium pricing and leverage in the distribution channel. For an apparel or accessories brand, such leverage means superior product placement or preferred square footage in retail outlets. Specialty apparel retailers with leading brands have distribution leverage: they can demand (and get) the best mall locations.

ENHANCING CUSTOMER LOYALTY

Apparel companies go to great lengths to attract new customers and retain existing ones. In a market that bombards consumers with advertising campaigns, and lifestyle and fashion messages, a brand name is a powerful weapon in these efforts.

Brands have become increasingly significant to apparel and footwear sales. Many consumers have less time to shop than previously, and they are spending their disposable income more carefully. Established brand names, conveying an image of quality, make shopping easier and faster for many consumers. For manufacturers, brands build consumer loyalty, which translates into repeat business.

Many established brand manufacturers, such as Tommy Hilfiger, Polo Ralph Lauren Corp., Jones Apparel Group, and Liz Claiborne, are leveraging their existing brand names by adding accessory lines, such as sunglasses, watches, fragrances, wallets, and footwear. Some apparel makers, such as Polo Ralph Lauren, even have ventured into home furnishings, adding branded linens and dinnerware. Footwear manufacturers, too, have capitalized on the strength of their brand names, with companies such as Nike and Reebok International Ltd. adding apparel, accessories, and sports gear to their product portfolios.

License to grow

Licensing is a common means for companies to extend their product lines; brand owners collected nearly \$5.1 billion in licensing royalty revenue in North America in 2010, a 1.9% decline from 2009 levels (following an 8.7% decline in 2008), and the third annual consecutive decline, according to the International Licensing Industry Merchandisers’ Association (LIMA), a licensed property marketing group. Entertainment/character licensing continued to garner the largest share of the market, accounting for 47% of the total, while trademarks/brands was second with \$845 million, or 17%, followed by fashion (14%) and sport (13%).

Licensing is a key element of an integrated brand marketing program, enabling a company to extend its brand into new categories. For instance, in February 2006, bootmaker Timberland Co. licensed its brand name to Phillips-Van Heusen to make Timberland apparel in North America.

Merchandising is key

Manufacturers must support their brands through advertising campaigns and by delivering the right product in an appropriate retail setting. They also must establish and maintain good relationships with retailers and help them to effectively present and sell their goods. Some manufacturers supply retailers with an in-store shop—from concept to display, including fixtures—which allow the retailer to create an environment consistent with the brand's image. It also increases consumer product recognition and loyalty as customers become familiar with a product's in-store presentation and location.

A manufacturer's merchandising team usually utilizes consumer focus groups to provide customer feedback on the company's products or to generate new product ideas. This information is shared with designers and the production staff. The merchandising team also will educate the retailer on the company's new products and servicing of customers. Increasingly, manufacturers will open a few retail stores as a way to test their products and gain direct feedback from their end customers. An example is VF Corp., which has opened The North Face stores in several cities, partly to gauge customer reaction to new products for this brand of outdoor apparel and gear.

CUTTING LABOR COSTS WITH OFFSHORE SOURCING

US labor costs tend to be relatively high, leading many manufacturers to turn to overseas sourcing for a majority of their products. Companies can establish overseas production in three ways. They can buy or build a plant, establish agents that have ties with factories in the foreign country, or contract directly with the owners of foreign factories. Typically, major US apparel companies establish overseas production in all of these ways. They also use domestic sources other than their own plants.

Using overseas manufacturers and/or outside domestic contractors has several benefits for apparel companies. Overseas sourcing allows them to compete with less expensive imports. Domestic sourcing allows companies to respond quickly to fashion changes and to retailers' needs for automatic inventory replenishment.

For production of more complicated apparel items, US companies generally go to Southeast Asia, where many countries have large pools of skilled laborers who can create high-quality products. Products that are simpler to make are outsourced to less-developed countries, where labor rates are lower than in Southeast Asia.

Reduced trade regulation

The shift of clothing jobs away from the US has accelerated with the expansion of free-trade agreements and the elimination of tariffs on imported goods. Some of the more important developments are detailed below.

- *The Multi Fibre Arrangement (MFA)*, also known as the Agreement on Textile and Clothing (ATC), governed the world trade in textiles and garments from 1974 through 2004, imposing quotas on the amount developing countries could export to developed countries. It expired on January 1, 2005.
- *The North American Free Trade Agreement (NAFTA)*, which went into effect on January 1, 1994, allows US companies to ship fabric produced in the US to Mexico for assembly and to ship the clothing back to the US without incurring import duties.
- *The Caribbean Basin Trade Partnership Act (CBTPA)*, passed in May 2000, led to a growing percentage of production being sourced in that region, which offers the advantage of much shorter lead times because of its proximity to the US. In particular, the CBTPA extended preferential tariff treatment to textile and apparel products assembled from US fabric (previously excluded from the program).
- *The African Growth and Opportunity Act (AGOA)*, also passed in May 2000, promised to spur the level of apparel and footwear imports from sub-Saharan Africa, which it did. However, the dismantling of the MFA agreement in 2005 significantly increased competition from non-African developing

nations, especially China. Since the phasing out of quotas, Africa is the only region that has seen its share of the US apparel import market decrease.

- **Trade Development Act (TDA)**, which took effect in October 2000, gives duty and quota preferences to many countries in the Caribbean and sub-Saharan Africa that export apparel to the US if the goods meet certain content conditions (such as including fabric made in the US).
- **The Dominican Republic-Central American Free Trade Agreement (DR-CAFTA)**, signed in May 2004 with Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, eliminated tariffs and trade barriers between the US and those countries for many products, including apparel. CAFTA was subsequently expanded to include the Dominican Republic and was renamed DR-CAFTA. Implemented on a rolling basis in 2006–07, it immediately eliminated tariffs on about 80% of US exports to the participating countries; the rest will be phased out over the subsequent decade. As a result, DR-CAFTA does not require substantial reductions in US import duties with respect to the other countries, as the vast majority of goods produced in the participating countries already enter the US duty-free due to the US government's Caribbean Basin Initiative. DR-CAFTA reduces tariffs, but every nation remains free to set its overall tax level as it sees fit.

Other talks are progressing under the auspices of the World Trade Organization (WTO). China joined the WTO in December 2001. After the elimination of quotas among all WTO-member countries in 2005, exports of clothing and shoes from China surged. From a 25.9% share in 2006, China grew to represent more than 37% of all apparel and nearly 90% of all footwear imported into the US in 2009, according to the American Apparel & Footwear Association. In tandem with the rise of China's apparel and footwear exports to the US, China has become one of the fastest growing export markets for US-made textile mill products (a category that includes yarns and fabric), according to the Office of Textiles and Apparel (OTEXA), part of the US Department of Commerce. In its ranking as an export market for the US, China moved from sixth place in 2007 to fifth place in 2008, where it remained in 2009.

VITAL ROLE OF TECHNOLOGY

In both the apparel and footwear industries, technological innovations have facilitated global expansion and closer coordination between retailers and manufacturers, while also cutting costs. For example, improvements in manufacturing processes—such as efficiencies in cut-and-sew operations in the apparel industry—are helping to reduce manual labor costs.

Rapid improvements in computer technology have helped to shorten the new product development phase from years to practically months, especially in the fashion/style/high-performance areas. In the athletic footwear industry, for example, computer-aided design (CAD) systems enable a manufacturer to reduce the design-to-production cycle to only a few months, so footwear companies can provide the marketplace with a steady flow of new products.

Apparel makers that link with retailers through quick-response programs and other electronic technologies go a long way toward making themselves indispensable to their customers. The goal of quick response is to keep inventories lean and avoid overstocking, while ensuring that retailers have the merchandise customers want to buy, when they want to buy it. By assuming responsibility for stocking stores, apparel companies help to carry inventory costs, historically one of retailers' highest costs. They also alleviate many of the retailers' reordering headaches and help them buy as close to the selling season as possible. For manufacturers today, quick response has become key to survival.

One such system to link retailers and manufacturers is called electronic data interchange (EDI). An EDI system employs interconnected computer terminals throughout the entire manufacturing and sales systems. At the retailer's checkout counter, electronic point-of-sale scanners read the bar code attached to each item and record the product sold, its price, and even such details as its color and size. This up-to-the-minute report on a given store's sales is then relayed to the manufacturer.

With direct access to detailed sales information, the manufacturer can tailor its production to consumer demand. The data recorded by bar code scanners in the EDI system also are used for automatic (or just-in-

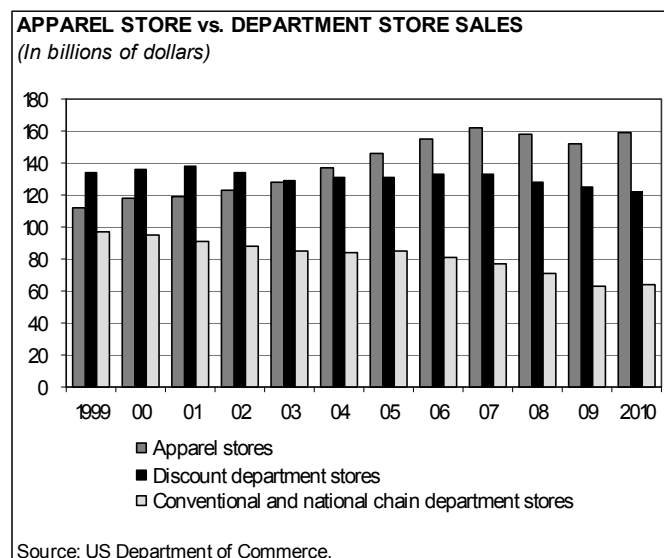
time) reordering, enabling a manufacturer to restock a retailer's shelves quickly, using no more than a computer for communication. In addition to providing for automatic replenishment, EDI makes distribution and shipping information processing more efficient.

Quick response and EDI technologies have proven successful with basic goods, which are relatively simple to produce, require shorter lead times, and increasingly are being manufactured in highly automated factories in the US. These systems are more difficult to implement for seasonal and fashion apparel, however, because such goods require more labor input and thus tend to be made in the Caribbean or Southeast Asia.

Technology also is playing a crucial role in apparel procurement (or reverse auctions) through the rising popularity of business-to-business (B2B) exchanges—online marketplaces that allow trading partners to conduct real-time business communications with each other. This is changing the way retailers and vendors conduct business with each other, whether they are issuing requests for quotes, bidding for orders, sharing product forecasts, or collaborating on product development. These exchanges may be public, such as the WorldWide Retail Exchange (WWRE), or private, such as Wal-Mart Stores Inc.'s Retail Link and other portals that individual retailers, brands, and trading companies have established for B2B communications with their own networks of customers and suppliers.

SALES CHANNELS PROLIFERATE

Today, most companies distribute their products through a variety of channels: wholesale, catalog, and Internet sales, as well as through their own retail stores. Within the wholesale channel, manufacturers often try to sell to various types of retailers, including department stores, specialty stores, discount stores, and national chains.



In the past decade, many manufacturers have opened their own retail stores, reducing their dependence on the wholesale channel while potentially increasing sales. This strategy has benefits—it permits manufacturers to showcase an entire line of products, enhance brand awareness, test new products, and directly collect customer feedback—but it also carries the risk of alienating retailers who carry the same merchandise. Some manufacturers have also established outlet stores to move older inventory.

Specialty retailers the most important channel

Consumers buy apparel and accessories from a variety of retail outlets. Based on data from the NPD Group, a market research firm, specialty stores accounted for approximately 32% of

apparel dollar purchases by consumers in 2010 (gaining one percentage point from 2009's levels), followed by mass merchants (20% versus 22%), department stores (13%; 14%), national chains (13%; 13%), off-price retailers (9%; 9%), direct mail/e-tail pure plays (6%; 6%), factory outlets (2%; 2%), and all other retailers (4%; 4%). ("All other retailers" is a category consisting of warehouse stores, dollar stores, company stores, and miscellaneous retail outlets.)

Differences exist in the distribution mix for men's, women's, and children's items. For example, more women's apparel than men's is purchased in specialty and department stores. Men's apparel is more prevalent in discount stores and general merchandise chains. In the children's segment, a considerably higher portion of apparel is purchased in discount stores: because children quickly outgrow their clothing, parents are less inclined to spend a lot of money on a single item and are thus more inclined to shop at discount stores.

Fashion is increasingly responsive to the styles sought by the preteen and teen markets, whose influence is rising. When promoting a product, however, manufacturers and retailers must not only take the user into account, but the shopper as well. For example, many men's apparel items actually are purchased by women.

Direct to consumer: Internet and catalog

Online sales of apparel grew 10% in 2010, according to NPD, which compares with the 2% growth rate for apparel in all channels. The Internet has benefits for both consumers and manufacturers. It allows consumers to shop from anywhere at any time they wish and to make easy price comparisons, conveniences they seem to appreciate. Manufacturers use Internet sites for marketing and informational purposes, as well as to make sales. The Internet enables apparel and footwear brands to customize merchandise to shoppers' specific needs, which enables firms to achieve better pricing and to develop a more emotional bond with the consumer. Both Nike Inc. and Polo Ralph Lauren are at the forefront of this strategy.

Selling by catalog is another important method of distribution. Before the advent of the Internet, it was the primary way to shop at home. Today, however, most retail apparel brands combine catalog sales with e-commerce sales under the moniker "direct to consumer." This is part of an overall branding strategy to meet consumers' needs 24/7 and thereby strengthen the emotional bond that is part of the branding experience. Catalogs are a form of advertising or direct marketing, bringing the product to the consumer. Many retailers report that receipt of the catalog spurs shoppers to the Internet or the store for the purchase occasion.

KEY INDUSTRY RATIOS AND STATISTICS

◆ **Gross domestic product (GDP).** Reported quarterly by the US Department of Commerce, GDP tracks the market value of all goods and services produced by labor and capital in the United States; it is, thus, the broadest measure of aggregate economic activity. As the economy expands and contracts with the business cycle, economic growth is measured by changes in inflation-adjusted (or real) GDP. Two consecutive quarters of decline in real GDP generally signal that the economy is in a recession.

Real GDP rose 3.1% in 2005, 2.8% in 2006, 2.0% in 2007, and 0.4% in 2008; it then declined 2.4% in 2009 before rebounding to 2.9% in 2010. As of August 2011, Standard & Poor's was projecting that real GDP would increase 1.7% in 2011 and 2.0% in 2012.

◆ **Disposable personal income.** Each month, the US Department of Commerce reports this measure of consumers' after-tax personal income, adjusted for inflation. Disposable income influences the level of expected consumer spending. When incomes are rising, consumers are willing to spend more than previously, which bodes well for apparel and footwear sales. Conversely, when incomes are declining, consumers are more likely to defer spending and save their money.

In 2010, nominal disposable personal income increased 3.6%, following increases of 0.7% in 2009, 3.9% in 2008, 5.7% in 2007, 5.9% in 2006, and 4.1% in 2005. As of August 2011, Standard & Poor's was projecting that nominal disposable personal income would rise 3.9% in 2011 and 3.1% in 2012.



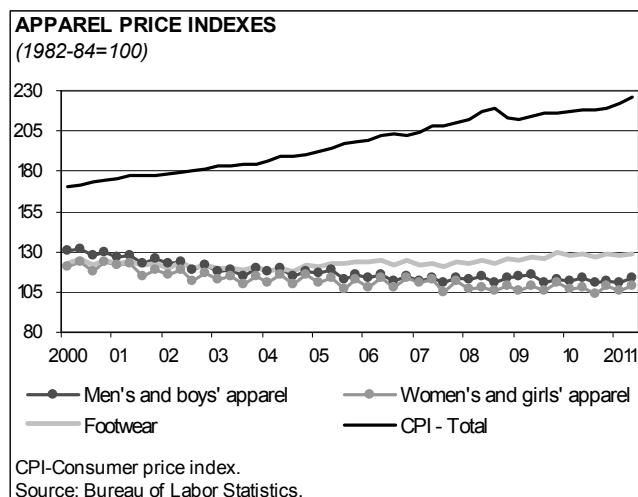
◆ **Consumer confidence.** The Conference Board, a private research organization, conducts a monthly poll of 5,000 representative US households to gauge consumer sentiment and compiles an index of consumer confidence based on the results. The index is a measure of how Americans feel about the strength of the economy, business trends, their job security or employment prospects, and their future earning prospects.

High consumer confidence usually is accompanied by increased spending and borrowing. Conversely, when consumer confidence is low (usually due to uncertainty about the future), personal expenditures are likely to be cut back or postponed. Because consumer spending accounts for about two-thirds of US economic activity, consumer confidence is a widely watched measure.

In 2007, the Conference Board's consumer confidence index remained above 100 through August, reaching 111.9 in July, its highest level in nearly six years (the previous peak was 114.0 in August 2001). However, the index subsequently fell each month through December (when it rose a bit) on what the Conference Board believed were consumers' perceptions of weaker business conditions and a less favorable job market; concerns over declines in home prices and the stock market may have been contributing factors.

In the early months of 2008, the consumer confidence index gave back December's gain and deteriorated significantly, reflecting consumers' unease over lackluster business and job conditions, as well as rising gasoline prices, according to the Conference Board. From 87.3 in January 2008, the index traced a jagged decline throughout the year and ended at 38.6 in December 2008. Confidence continued to fall in early 2009: the index (which began in 1967) hit at an all-time record low of 25.3 in February. It rebounded through 2009 and stood at 53.6 in December. Readings bounced around in 2010, from the mid-40s to the low 60s. The consumer confidence index stood at 60.3 on January 25, 2011, up from December 2010's 53.3—much stronger than the 54.6 expected by consensus and the highest level since May 2010. The stronger-than-expected report indicated greater consumer optimism, on both income and jobs, as 2011 began. The most recent reading (for July 2011) had the index at 59.5, up from June's 57.6 reading, with a slight reduction of the present situation to 35.7 (from 36.6) and an increase in the expectations index to 75.4 (from 71.6). Recent stock market volatility could reduce these measures in the near term.

◆ **Consumer price index (CPI).** Released monthly by the Bureau of Labor Statistics (BLS), this index measures the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The “core” CPI smoothes out the index by removing the volatile food and energy categories. The BLS also releases specific price indices for both the apparel and footwear industries.



Inflation rates reflect and influence pricing decisions of apparel and footwear companies and their suppliers. Most companies try to pass on cost increases to the consumer. When these increases are large, however, consumers, stunned by high prices, may hold back on spending—a condition known as “sticker shock.”

While prices for many products and services tend to rise over time, that trend does not hold for apparel: prices fell each year from 1998 through 2005. In 2008, the CPI-U for apparel rose 1.5% from December 2008 to December 2009, to end the year at 88.0. In 2010, for the

12 months ended December, this metric dropped 1.1% on an unadjusted basis. Standard & Poor's projects that this index will increase about 2%–3% in 2011, reflecting higher input costs.

Overall inflation, as measured by the CPI, rose 1.6% in 2010 (after declining 0.3% in 2009), versus gains of 3.8% in 2008, 2.9% in 2007, and 3.2% in 2006. As of August 2011, Standard & Poor's was projecting CPI increases of 3.0% and 1.8% for 2011 and 2012, respectively.

◆ **Interest rates.** The level of interest rates influences management decisions regarding business acquisitions, capital expenditures, dividends, and stock repurchases. High or rising interest rates increase the cost of borrowing, making companies less likely to expand facilities or to make other capital outlays. At such times, apparel and footwear manufacturers may postpone or cancel plans to upgrade or expand manufacturing

capacity. The level of interest rates also affects consumers' purchasing decisions. Higher interest rates can curb consumer spending, as people begin to pay down their credit cards and rein in their expenses.

The Federal Reserve Board (the Fed) sets monetary policy and can take actions that directly affect short-term interest rates in the US banking system. The most recent cycle of rate hikes began in late June 2004, with a 25-basis-point increase to 1.25%. By October 2006, the Fed had raised the fed funds rate a total of 17 times, to 5.25%. Despite these increases, interest rates remained low on a historical basis, and particularly so compared with rates in the late 1970s and 1980s.

In September 2007, on concerns of tighter credit conditions intensifying the housing downturn and restraining economic growth, the Fed began easing, cutting both the federal funds rate and the discount rate by half a point, to 4.75%. The interest rate reductions continued at subsequent Fed meetings in late 2007 and in 2008. In late December 2008, the Federal Open Market Committee (FOMC) established a target range for the Fed funds of a record-low 0%–0.25% on recession and financial market concerns, where it has remained. As of August 2011, Standard & Poor's was projecting the Fed funds rate at 0.1% in 2011, 2012, and 2013.

The interest rate on Treasury bills (a proxy for short-term interest rates) fell to an average 0.1% for 2010 from the 0.2% average in 2009, versus the average 1.4% in 2008, and 4.4% in 2007. As of August 2011, Standard & Poor's was projecting the rate to remain at 0.1% in 2011 and 2012. The yield on 10-year Treasury notes (a proxy for long-term interest rates) averaged 3.2% in 2010, versus 3.3% in 2009, 3.7% in 2008, and 4.6% in 2007. As of August 2011, Standard & Poor's was projecting that the T-note rate will decline to 2.9% in 2011 and 2.7% in 2012.

HOW TO ANALYZE AN APPAREL COMPANY

While there are substantial differences in operating a branded apparel/accessories company and a specialty apparel retailer, there are many similarities, particularly in the factors that affect them. Let's start there.

A good starting point is to assess the current macroeconomic environment, with emphasis on trends in employment, and consumer income and spending. The state of the economy in general, and consumer income and spending in particular, influence the amount of money consumers are willing or able to spend on clothing and accessories. Demographic and lifestyle trends also can be important determinants of consumer demand.

At the macroeconomic level, we begin by asking questions about the overall economy. Is the economy expanding? Or is it slowing and heading for a recession? Are new jobs being created? If so, at what pace? What is the trend in the unemployment rate? Changes in trends—incremental growth or decline—can be more meaningful than the absolute numbers. Are consumer spending and overall retail sales growing or contracting? Are consumer incomes rising, and are consumer debt levels too high relative to income?

On a more micro level, it's useful to determine whether consumers are spending more or less on apparel and accessories relative to other goods. Are apparel and accessories prices rising or falling relative to other discretionary goods? What are the dominant fashion trends in these product categories and how rapidly is the fashion silhouette changing? How are the nation's changing demographics influencing demand for apparel, accessories, and footwear?

Once the industry's outlook has been evaluated, the analyst then can evaluate the prospects of a specific company, be it an apparel brand or an apparel retailer. Analysts evaluating apparel brands and retailers have the added advantages of being able to test merchandise quality, compare it with alternatives, and assess the selling environment in terms of customer service and visual accoutrements.

When visiting a retail location, things to note include how much square footage a store devotes to selling particular products compared with competitors, whether merchandise appears to be selling at full or discounted prices, merchandise display formats, and how complete (or broken) collections appear. Also important are overall traffic trends and the average age of the typical shopper. One also should observe the

degree of merchandise differentiation from competing brands across distribution channels because consumers shop multiple channels—discount, specialty, luxury retailers, and mass merchandisers. Although the operations in one or two stores may not be indicative of the entire chain, the analyst can get a general understanding of a retailer's store concept and how effectively it is being implemented.

QUALITATIVE FACTORS

The following discussion explains several qualitative factors used to analyze apparel or accessories branded companies and specialty apparel retailers.

Evaluating a company's competitive stance

Because of the glut of apparel and accessories offerings, any characteristic that favorably distinguishes a company and its products gives it a competitive advantage in the marketplace. Such traits can include the following:

◆ **Brand names.** In the apparel and accessories industries, a strong and recognizable brand name is the key to success and drives store (and website) traffic. Through marketing efforts, companies try to create a well-known brand name that consumers will identify with a high-quality or fashionable product. Brand loyalty is built over time as companies support advertising and promote brand awareness.

For example, through meticulous positioning and aggressive promotional support over the years, Quiksilver Inc. has transformed itself from a niche brand of board shorts into a leader in the youth-oriented, casual-lifestyle apparel and accessories segment. This apparel brand/specialty retailer promotes brand awareness through its store windows, which are refreshed as often as weekly with new displays of its fashion products.

◆ **Product differentiation.** A company also can create a competitive advantage by differentiating its product line from that of its competitors. Differentiation allows a company to charge higher prices and generate brand loyalty among consumers. This practice is gaining in importance as basic merchandise becomes increasingly indistinguishable to consumers.

In reality, a company does not have to create a markedly different product, but it must create a perception of difference. Companies can cultivate an aura of difference through marketing, using advertising to create a brand image. For example, while Juicy Couture's terry warm-up suits are similar to other makes, this Liz Claiborne Inc. unit has used marketing to help differentiate its brand, creating strong demand for its goods.

◆ **Customer demographics and target market.** The growth potential of an apparel brand or specialty retailer depends primarily on three factors: the size of the target market for the company's products, the market's growth rate, and the company's market share. It is important to identify the firm's target customers and assess whether the company is successfully addressing their needs and wants from both a marketing and design standpoint. If the firm targets a narrow demographic group, such as senior citizens or teenagers, it is also crucial to evaluate the ramifications of expected changes in the segment's population growth.

Because a small group of consumers typically provides a large share of a specialty retailer's revenues, a successful company must know its core customers and understand their purchasing habits. At Chico's FAS Inc., for example, the target market is 35- to 55-year-old females with an annual household income of \$75,000 or more—a market comprising approximately 14.8 million women.

For category-dominant companies in an established segment, sales growth is typically driven by gains in market share rather than by overall market growth. Retailers operating in emerging or fast-growing segments often benefit from growth in total sector sales. Coach Inc., for example, has benefited from both market share and overall market growth since its initial public offering (IPO) in 2000.

◆ **Distribution.** What distribution channels does the company use—its own retail outlets, mail-order catalogs, department stores, specialty chains, off-price outlets, the Internet, or other methods? Has it recently expanded or narrowed its distribution system? If it has consolidated its distribution infrastructure, has it realized any operating synergies by doing so?

Expanding the channels of distribution can reduce an apparel or footwear manufacturer's reliance on any particular channel. Companies must choose channels with some thought to the targeted consumer groups, and the desired price points and brand images. For example, a company trying to sell first-quality designer clothes in a mass-market outlet could dilute its brand irreparably.

◆ **New product development.** For apparel and accessory companies, sales drivers are new fashion trends, new silhouettes, and new fabrications (fabrics that have been processed with chemicals and provide new functionality), which may meet consumers' needs better than existing designs.

For footwear companies, new products are crucial to drive growth in the short term. In the athletic footwear segment, new product development centers mainly on technology, with manufacturers aiming their extensive research and development efforts at improving the performance and endurance of athletic sneakers. Similarly, sports apparel brands develop fabrics with improved functionality in an effort to expand their market.

◆ **Assessing management.** In the apparel and accessories branded and retail businesses, as in most industries, a company with a superior management team can distinguish itself from its peers by creating successful competitive strategies. For apparel and accessories companies, in addition to top management, lead designers and merchandising and procurement officers should also be evaluated.

When evaluating a management team's ability to create, recognize, analyze, and act on market opportunities, we ask several questions. What is management's financial and operating philosophy? How long have the senior managers been with the company? What are the managers' track records, both individually and working as a team? If managers have taken control recently, what was their previous experience? Has the company been adept at integrating acquisitions? Do growth strategies make sense in light of the current environment and the company's particular situation? Are management's interests aligned with those of its shareholders?

◆ **Manufacturing costs.** Despite technological advances, apparel remains a labor-intensive industry. Thus, most domestic apparel and footwear companies manufacture products in low-labor-cost regions, including the Far East, the Caribbean basin, and Latin America. China is a particularly large exporter, representing more than 37% of all apparel imported into the US in 2009 and nearly 90% of all footwear, according to the American Apparel & Footwear Association.

Moreover, most of the larger domestic industry participants do no manufacturing at all, but rather source their merchandise in the aforementioned locales by developing strategic relationships with garment and footwear factories there. A growing number of apparel firms perform only the entrepreneurial functions involved in apparel manufacturing—buying raw materials, creating designs, preparing samples, arranging for production and distribution, and marketing the finished product. Notable exceptions include Carter's and VF Corp., both of which manufacture a portion of their branded merchandise.

What's unique to retailing?

In addition to the aforementioned factors, specific areas of analysis for a specialty apparel retailer with regards to its business strategy include real estate, inventory, same-store sales, and technology.

◆ **Real estate.** "Location, location, location," a maxim of the real estate business holds true for retailers. Factors that affect the potential profitability of a store include the area's demographic profile (age and income) and population growth. Growing populations and wealth accumulation can bolster a company's long-term viability in a region. Ideally, a store should be located in an area with a demographic profile that closely matches the store's target demographic.

There are many specialty retail concepts and formats, with locations ranging from mall stores to strip center outlets to lifestyle centers. Analysts should evaluate the availability of transportation and other factors governing a location's accessibility to its target customer.

Pay attention to specialty chains with concentrated geographic exposure, for it will then be necessary to evaluate the economic environment or other characteristics (such as weather patterns) of those regions, along with their influence on apparel and accessories demand. Geographic concentration can increase a retailer's risk profile in cases such as regional power outages, earthquakes, and hurricanes, or civil unrest.

Most specialty apparel retailers lease their stores, a practice that provides financial flexibility that companies in other industries may not have. Leases eventually expire, which gives retailers the option to relocate or close units. However, competition in the industry and pressure to increase earnings sometimes forces retailers close unprofitable units with unexpired leases. Doing so creates a contingent liability that they have to account for: they may take a reserve for store closings, pay off the entire lease, and then write off that amount.

◆ **Inventory: a retailer's crucial asset.** For retailers, having the right merchandise in the right place at the right time is key. Thus, merchandise held in inventory is a retailer's most important asset. Although buildings, property, and equipment usually exceed its value in dollar terms, inventory is what generates sales, making it the primary determinant of success or failure, profit or loss. While other variables such as price, location, and service may influence consumers' decisions to buy, the actual merchandise in the store must meet customers' expectations and reward their loyalty over time.

The importance of the planning, buying, and controlling of merchandise inventory cannot be overstated. An analyst should consider inventory growth and inventory turns to determine how well the company is managing its inventory. (Issues related to industry operations are discussed in more detail in the "How the Industry Operates" section of this *Survey*.)

◆ **Same-store or comparable store sales.** This is the most closely watched quantitative indicator for retailers. Defined as the change in sales from the preceding year at stores open for a certain period (usually at least 12 months, but sometimes as long as 24 months, depending on the company), this measure is a barometer of basic demand. Many companies release these numbers on the first or second Thursday of each month for the preceding month.

Because the same-store sales number excludes growth from newly opened stores, we see it as a better indicator of organic growth. Looking only at total sales gains can be misleading, as a company that aggressively opens new units can generate strong sales gains even if its stores are generally unprofitable. Same-store sales trends also give a better indication of the state of business than a single month's numbers do.

◆ **Technology.** Well-designed information systems can give a retailer a competitive edge over its peers by providing valuable data on the preferences and buying patterns of its customers. Organizations must be adept at gathering, understanding, and using information collected at the store level, and analyzing that data to improve merchandise assortments, store allocation, distribution, expand customer service, and increase their market share. IT can shorten the supply chain between supplier and vendor networks as well as integrate internal systems and thereby streamline workflow and reduce expenses.

QUANTITATIVE FACTORS

After getting a grasp on the company's competitive position, the next step is to analyze its financial statements—the income statement, the balance sheet, the statement of cash flows, and various components of each. Although these are three separate financial statements, they are very much interrelated and need to be analyzed together. The analyst should also scrutinize the company's earnings quality.

Income statement

The income statement records the financial operations of a firm over a given time period. Among the major items on an apparel or footwear company's income statement that the analyst should examine are trends in revenues, gross profit margin, and operating margin.

◆ **Revenues or sales.** As in most other industries, an income statement analysis for an apparel brand or retailer begins with the top line: sales. A company's sales growth should be compared with that of its competitors and the overall market. It is important to determine what is driving sales growth. Is it pricing,

volume gains, or acquisitions, or for the retailer, same store sales gains? Is the sales growth broad-based or driven by only a few categories? Is the company gaining market share or just riding the market's overall growth? All things being equal, a more conservative revenue recognition policy is desirable. With apparel and accessories brands, any trends in discounts and allowances given to retailers also should be considered.

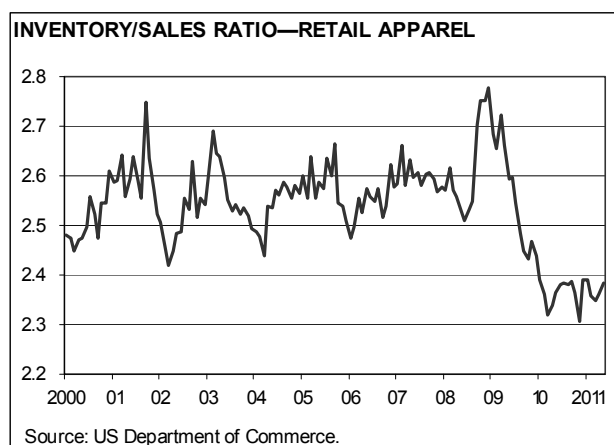
◆ **Gross profit margin.** A company's gross margin is calculated as net sales minus the cost of goods sold, expressed as a percentage of gross sales. It generally reflects a company's sales volumes, product mix, pricing, sourcing, and operational (including manufacturing) efficiency. The cost-of-goods-sold line may comprise a number of items other than merchandise, including costs of purchasing, warehousing, distribution, freight, occupancy, and insurance. Gross margin should be evaluated on both an absolute basis and a relative basis. If a company's gross margin is high compared with its peers, the company may possess a competitive advantage.

An analyst also should look for trends in gross margin. Are any industrywide factors, such as overcapacity, cutting into gross margins? Excessive merchandise inventories and competitive pressures tend to induce a higher level of promotional selling and markdowns, which, in turn, will reduce gross margins. Conversely, does a particular company have a product in high demand, allowing it to charge a premium price as demand exceeds supply? If possible, determine what is causing fluctuations in gross margin and whether those trends will persist.

Comparable-store sales can explain gross margin trends for retail operations. Other relevant indicators for apparel and accessories brands and retailers include average selling prices (ASPs), initial markups (IMUs), units per transaction (UPT), average ticket (AT), and inventory turns (discussed later).

◆ **Operating profit margin.** This figure is derived by dividing the operating profit (gross profit minus selling, general, and administrative expenses) by sales revenues. The operating margin indicates the efficiency and profitability of the entire enterprise—not just the manufacturing operations, but also the corporate, selling, and distribution operations. Nonrecurring items should be excluded from margin calculations to give the analyst a baseline for comparing results going forward.

Because the operating margin reflects costs that can be managed to some degree (salaries, commissions, advertising, etc.), it usually is easier to control than the gross margin. The company may derive a certain degree of expense leverage from increased sales levels, thereby improving operating margins. Thus, an increase in the operating margin typically indicates that management is using its resources more efficiently, allowing fixed costs to be spread across greater volumes. On the other hand, a trend of narrowing operating margins may be a warning sign that management is not operating at its most efficient level.



Balance sheet

The balance sheet reports major categories and the stated values of assets, liabilities, and stockholder's equity at a specific point in time.

◆ **Cash and equivalents.** A company's cash position needs to be analyzed concurrently with its ability to generate cash. If a company continually operates with net cash outflows because of working capital needs and capital spending, one should look at the level of cash and marketable securities on the balance sheet to determine how long the company can fund operations before it will need to tap the capital markets.

◆ **Inventory.** Inventory management is crucial to retailers and manufacturers alike. They must have the right products on hand in the right amounts; failure to do so could lead to fashion misses or being caught short during an important selling season. Having too much

inventory raises costs and ties up capital. It also may signal impending gross margin declines, in cases where the products must be discounted in order to sell them before they go out of style.

Inventory levels are generally available from a company's balance sheet. The effectiveness of inventory management can be measured by the inventory turnover ratio. This ratio, calculated by dividing the cost of goods sold by its average inventory, should be reviewed for trends and compared with peer averages.

Inventory turnover ratios for apparel and footwear companies, while generally comparable, could vary widely from company to company. A high turnover rate indicates that goods are selling well relative to the average amount of inventory kept in stock. Conversely, a low turnover rate indicates that goods are not moving rapidly. Inventory buildup is less of a concern for basic merchandise, which can be sold throughout the year, than it is for fashion-oriented products.

Statement of cash flows

It is necessary to estimate cash inflows (or sources) and outflows (uses) to determine the net cash flow generated (or used) by a company's operations. How does the company plan to raise and utilize its cash? The cash flow statement has three sections: operating, investing, and financing.

The operating section reflects cash generated from, or used in, operations, after adjusting for noncash items (such as depreciation and amortization), and including changes in working capital components. For example, if a manufacturer anticipates higher sales from seasonal activity, it may need cash to build inventory levels.

The investing and financing sections capture other sources and uses of cash outside the company's operations. Possible sources include the issuance of debt, or equity capital and dividends received from affiliated companies. Potential uses include repurchasing shares of common stock, paying dividends, reducing debt, or reinvesting in the business via either capital expenditures or acquisitions.

Other factors

In addition to the income statement and balance sheet items outlined earlier, several other factors are important to consider when analyzing an apparel or footwear company. For example, a company's order backlog indicates what its sales will be like over the next few months. Although this information is not included in the financial statements, some apparel and footwear companies report it separately.

Certain companies in the athletic footwear and apparel segment report worldwide "futures orders." This measure covers products scheduled for delivery between certain dates, usually over the next three to six months, and is another way to project revenues. In the apparel industry, deliveries scheduled for future seasons are reported as "bookings."

EQUITY VALUATION AND TARGET PRICES

One method for investors to value a retailer is by forecasting forward 12-month sales, margins, and earnings, and comparing its price-to-earnings (P/E) multiple to that of its historical range, its competitors, and a peer-group average. Investors can also look up securities analysts' earnings per share (EPS) estimates and P/E multiples at Yahoo! Finance and other online resources. For a well-run retailer with a solid sales and earnings history and strong growth prospects, a low P/E multiple relative to peers could signal a buying opportunity. By comparison, a retailer losing business due to heightened competitive pressures and an ineffective growth strategy could deserve to trade at a lower P/E multiple than its peers. The investor will have to make this decision.

Coming up with a target price is the next step. A target price assigns a "fair value" to the shares. To arrive at a peer-based target price for a retailer, you need to multiply the EPS estimate by the peer-average P/E multiple. For example, assume that you have calculated (or looked up) a 2011 EPS estimate of \$2.00 for Shop Me Inc. and a peer-average P/E multiple of 12. By multiplying these two values, you come up with a target price of \$24. ■

GLOSSARY

Allowance from vendors—Price adjustment to a buyer for damaged merchandise or for the return of unsatisfactory merchandise.

Assortment plan—The range of merchandise in a category that managers intend to keep in a store at a certain inventory level.

Basic item—Apparel with a style and demand that are generally constant, and which must remain in stock to satisfy customers.

Brand—A name that identifies the goods of one seller.

Business-to-business (B2B) exchanges—Online marketplaces that enable trading partners to conduct real-time business transactions.

Buyer—The person responsible for the merchandising operations of a retail outlet or a specific department.

Carryover merchandise—Goods left over from a preceding season that are offered for sale in the following season.

Cash discount—A price reduction given by a supplier to customers paying their invoices before the end of a stated discount period.

Centralized buying—A practice among retail chains in which merchandise is purchased by staff from corporate headquarters.

Co-op money—A vendor's contribution to a retailer for the promotion of merchandise.

Diffusion brand—A lower-priced designer line launched to reach a different channel (usually mass market) but still convey a message of exclusivity or prestige.

Direct buying—Buying straight from the manufacturer without going through an intermediary.

Electronic data interchange (EDI)—A computer network linking retailers, manufacturers, and the entire retail distribution pipeline.

Factoring—The practice of selling manufacturers' and wholesalers' account receivables to financial institutions.

Fashion cycle—The life span of a clothing style, from its rise in popularity to its decline.

Fashion/specialty center—A strip center with mainly upscale apparel shops, boutiques, and craft shops carrying high-end fashion or unique merchandise. It is usually found in high-income trade areas.

Fashion trend—A style that has moved from limited to wide acceptance.

Fast fashion—Term used to describe stores like H&M that turn over styles quickly, encouraging the customer to buy now because the product will be gone tomorrow.

Gross margin—The difference between net sales and the total cost of goods sold, expressed as a percentage of net sales.

Gross profit—Net sales minus the cost of goods sold.

Jobber—A middleman who buys from a manufacturer and sells to a wholesaler.

Knockoff—An item that is an exact or similar reproduction of goods made by another manufacturer.

Lifestyle center—Often located near affluent residential neighborhoods, a strip center that typically includes at least 50,000 square feet of space occupied by upscale, national-chain specialty stores. It also features restaurants, entertainment, and, frequently, one or more conventional or fashion specialty department stores as anchors.

Markdown—A reduction in the retail price of an item, expressed as a percentage of the original price of the merchandise.

Markon—The difference between the cost as billed (before deductions for cash discount) and the retail price.

Markup—An increase in an item's price.

Merchandise vendor allowances or vendor allowances—Wholesalers and manufacturers provide retailers with multiple forms of support to enable the swift movement of goods through the channel. The forms of support include cooperative advertising, payroll reimbursements, and markdown reimbursement programs, all of which have an adverse impact on wholesalers' and manufacturers' profit margins, although they may in fact increase retailers' profits.

Net—A vendor's billing term signifying that no cash or trade discount is allowed.

Open to buy—The amount of money that a retailer is willing to invest in inventory for future sales; it is affected by current sales trends.

Out of stock—The absence of merchandise in certain styles, sizes, and/or colors in a store's inventory.

Outlet center—A strip center, mall, or cluster of stores, usually located in a rural or tourist location, that consists mainly of manufacturers' outlet stores selling their own brands at a discount. There are no anchor stores.

Point-of-sale (POS) terminal—Electronic devices at store checkout counters that read the universal product code (UPC) on product labels in order to tally each customer's sale. POS terminals collect other data that enable stores to track sales trends and to assess the effectiveness of promotions.

Price point—The price range at which a line of merchandise is offered for sale.

Private label—Merchandise designed by a retailer that carries the store's own brand name.

Quick response—A partnership between a vendor and retailer through which orders are automatically replenished via computer links.

Ready-to-wear—Any article of apparel manufactured for sale in a retail store (that is, not custom made).

Same-store sales—The measure of year-on-year sales growth or decline for a store or chain of stores. The figure excludes new and closed stores, which can skew results. Also referred to as comparable-store sales.

Scanning—The electronic reading of a bar code that yields such product information as price, color, and size.

Shrinkage—Loss of inventory due to accounting errors, misdirected shipments, mistakes in ringing up charges or pricing goods, bookkeeping errors, spoilage, breakage, and thefts by employees, vendors, or customers.

Stockkeeping unit (SKU)—A single item of merchandise, as measured for inventory management purposes.

Stock turnover—The number of times during the year that inventory is sold out. The figure is derived by dividing total cost of goods sold by average inventory value. ■

INDUSTRY REFERENCES

PERIODICALS

Apparel

<http://www.apparelmag.com>

Monthly; aimed at apparel industry executives, with a focus on technology, new products, and business strategy.

Apparel News

<http://www.apparelnews.net>

Weekly; online apparel newsmagazine and fashion trade portal for manufacturers and retailers.

The Apparel Strategist

<http://www.apparelstrategist.com>

Monthly and annual; contains apparel industry statistics, news, and trends.

Footwear News

<http://www.footwearnews.com>

Weekly; covers trends and issues in the footwear industry.

Men'sWeek

<http://www.wwd.com/menswear-news>

Weekly; focuses on the men's apparel industry.

WWD (Women's Wear Daily)

<http://www.wwd.com>

Daily; focuses on the women's apparel industry.

TRADE ASSOCIATIONS

American Apparel & Footwear Association (AAFA)

<http://www.apparelandfootwear.org>

Provides apparel and footwear manufacturers with industry statistics and other demographic information.

Cotton Incorporated

<http://www.cottoninc.com>

A worldwide organization funded by cotton growers and importers that provides research and promotional support to increase demand for and the profitability of cotton; publishes *Lifestyle Monitor*, a newsletter about consumer attitudes and behavior.

LIMA (International Licensing Industry Merchandisers' Association)

<http://www.licensing.org>

A worldwide organization that works with licensors and licensees for the advancement of professionalism in licensing through research, national and international seminars, trade events, and publications.

National Sporting Goods Association (NSGA)

<http://www.nsga.org>

Represents more than 22,000 sporting goods retailer/dealer outlets and 3,000 product manufacturers, suppliers, and sales agents.

SGMA

<http://www.sgma.com>

Provides manufacturers, producers, and distributors with information and statistics related to the global sports apparel, athletic footwear, and sporting goods equipment industries; formerly called the Sporting Goods Manufacturers Association.

US Association of Importers of Textiles & Apparel

<http://www.usaita.com>

Nonprofit industry association representing textile- and apparel-importing firms before the US government, the business community, and the public.

MARKET RESEARCH FIRMS

BIGresearch LLC

<http://www.bigresearch.com>

Provides online market intelligence and Internet-powered marketing research; surveys consumers regarding their retail shopping behavior and purchase intentions.

comScore Inc.

<http://www.comscore.com>

Maintains proprietary databases that provide a continuous, real-time measurement of the myriad ways in which the Internet is used and the wide variety of activities that are occurring online.

The Conference Board

<http://www.conference-board.org>

A not-for-profit, nonadvocacy business membership and research organization that calculates and disseminates leading economic indicators and an index of consumer confidence.

The NPD Group Inc.

<http://www.npd.com>

A market research and consulting organization providing global sales and marketing perspectives; combines consumer information with point-of-sale data collected from retailers and other distribution channels.

Planalytics Inc.

<http://www.planalytics.com>

A consulting firm that helps companies make more effective and profitable decisions by forecasting weather-driven changes in supply, demand, and prices for products and services.

TRU

<http://www.teenresearch.com>

A market research firm specializing in the teen demographic; provides qualitative and quantitative research.

GOVERNMENT AGENCIES**Bureau of Labor Statistics (BLS)**

<http://stats.bls.gov>

This division of the US Department of Labor is the principal fact-finding agency of the federal government in the broad fields of labor, economics, and statistics. Its major programs include the consumer price index, the producer price index, the employment cost index, and the national compensation survey.

US Department of Commerce

<http://www.doc.gov>

This cabinet-level department is responsible for various government agencies that monitor and regulate US commerce. Among its many divisions is the Census Bureau, which publishes population statistics and projections.

CORPORATE INFORMATION

Many corporate filings with the federal Securities and Exchange Commission, including 10-Ks and 10-Qs, are available through its Edgar website:

<http://www.sec.gov/edgar/searchedgar/webusers.htm>

In addition, most apparel and footwear companies operate their own websites. Here's a sample:

Abercrombie & Fitch: www.bercrombie.com

Aéropostale Inc.: www.aeropostale.com

American Eagle Outfitters: www.ae.com

Bebe Stores Inc.: www.bebe.com

Carter's Inc.: www.carters.com

Coach Inc.: www.coach.com

Columbia Sportswear: www.columbia.com

Deckers Outdoor Corp.: www.deckers.com

Fossil Inc.: www.fossil.com

Gap Inc.: www.gapinc.com

Guess Inc.: www.guess.com

Hanesbrands Inc.: www.hanesbrands.com

Limited Brands Inc.: www.limitedbrands.com

Liz Claiborne Inc.: www.lizclaiborneinc.com

LVMH Moët Hennessy Louis Vuitton: www.lvmh.com

Nike Inc.: www.nikebiz.com

Polo Ralph Lauren Corp.:

www.ralphlauren.com/home/index.jsp

Quiksilver Inc.: www.quiksilver.com

Skechers USA Inc.: www.skechers.com

Timberland Co.: www.timberland.com

TJX Companies Inc.: www.tjx.com

Under Armour Inc.: www.underarmour.com

Urban Outfitters Inc.: www.urbn.com

VF Corp.: www.vfc.com

Warnaco Group Inc.: www.warnaco.com

Wolverine World Wide Inc.:

www.wolverineworldwide.com

COMPARATIVE COMPANY ANALYSIS — APPAREL & FOOTWEAR: RETAILERS & BRANDS

Operating Revenues

Ticker	Company	Yr. End	Million \$					CAGR (%)		Index Basis (2000 = 100)							
			2010	2009	2008	2007	2006	2005	2000	10-Yr.	5-Yr.	1-Yr.	2010	2009	2008	2007	2006
APPAREL, ACCESSORIES & LUXURY GOODS†																	
CRI	\$ CARTER'S INC	DEC	1,786.8	1,626.1	1,528.2	1,443.0	1,372.6	1,141.8 A	NA	NA	9.4	9.9	**	**	**	NA	
COH	□ COACH INC	JUN	3,607.6	3,230.5	3,180.8	2,612.5 D	2,111.5	1,710.4 C	548.9	20.7	16.1	11.7	657	589	579	476	385
PERY	\$ ELLIS PERRY INTL INC	JAN	790.3 A	754.2	851.3	863.9	829.8	849.4 A	287.4	10.6	(1.4)	4.8	275	262	296	301	289
FOSL	† FOSSIL INC	DEC	2,031.2	1,548.6	1,583.7	1,433.4	1,214.4	1,041.0	505.1	14.9	14.3	31.2	402	307	314	284	240
HBI	† HANESBRANDS INC	DEC	4,326.7 A	3,891.3	4,248.8	4,474.5	4,472.8 A	4,683.7 A	NA	NA	(1.6)	11.2	**	**	**	NA	NA
LIZ	\$ LIZ CLAIBORNE INC	DEC	2,500.1 D	3,011.9	3,984.9 D	4,577.3 D	4,994.3	4,847.8	3,104.1	(2.1)	(12.4)	(17.0)	81	97	128	147	161
MBF	\$ MAIDENFORM BRANDS INC	DEC	556.7	466.3	413.5	422.2	416.8	382.2	NA	NA	7.8	19.4	**	**	**	NA	NA
MOV	\$ MOVADO GROUP INC	# JAN	382.2 D	378.4	460.9	574.5	532.9	470.9	320.8	1.8	(4.1)	1.0	119	118	144	179	166
OMX	\$ OXFORD INDUSTRIES INC	# JAN	619.4 A,C	813.7 F	964.8 F	989.7 H	1,143.4 D,F	1,121.8 D,F	812.5	(2.7)	(11.2)	(23.9)	76	100	119	123	141
RL	□ POLO RALPH LAUREN CP -CL A	# MAR	5,660.3 A	4,978.9 A	5,018.9 A	4,880.1 C	4,287.4	3,746.3 A	2,225.8	9.8	8.6	13.7	254	224	225	219	193
PVH	† PVH CORP	# JAN	4,636.8 A	2,398.7	2,491.9	2,425.2 A	2,090.6	1,908.8	1,455.5	12.3	19.4	93.3	319	165	171	167	144
ZOK	\$ QUIKSILVER INC	OCT	1,837.6	1,977.5	2,264.6 D	2,426.0 D	2,362.3	1,780.9 A	519.4 A	13.5	0.6	(7.1)	354	381	436	467	455
TRLG	\$ TRUE RELIGION APPAREL INC	DEC	363.7 A	311.0	270.0	173.3	140.5	102.6	NA	NA	28.8	16.9	**	**	**	NA	NA
UA	† UNDER ARMOUR INC	DEC	1,063.9	856.4	725.2	606.6	430.7	281.1	NA	NA	30.5	24.2	**	**	**	NA	NA
VFC	□ VF CORP	DEC	7,702.6	7,220.3	7,642.6 C	7,219.4 A	6,215.8 D	6,502.4 A	5,747.9 A,C	3.0	3.4	6.7	134	126	133	126	108
WRC	† WARNACO GROUP INC	DEC	2,295.8	2,019.6 D	2,065.0 D	1,860.1 D	1,827.5 A,C	1,501.1	2,249.9	0.2	8.9	13.7	102	90	92	83	81
APPAREL RETAIL‡																	
ANF	□ ABERCROMBIE & FITCH -CL A	# JAN	3,468.8	2,928.6 D	3,540.3	3,749.8	3,318.2	2,784.7	1,237.6	10.9	4.5	18.4	280	237	286	303	268
ARO	□ AEROPOSTALE INC	# JAN	2,400.4	2,230.1	1,885.5	1,590.9	1,413.2	1,204.3	213.4 D	27.4	14.8	7.6	1,125	1,045	883	745	662
AEO	† AMERN EAGLE OUTFITTERS INC	# JAN	2,967.6 D	2,990.5	2,988.9	3,055.4	2,794.4 C	2,309.4	1,093.5 A	10.5	5.1	(0.8)	271	273	273	279	256
ANN	† ANN INC	# JAN	1,980.2	1,828.5	2,194.6	2,396.5	2,342.9	2,073.1	1,241.4	4.8	(0.9)	8.3	160	147	177	193	189
ASNA	† ASCENA RETAIL GROUP INC	JUL	2,374.6 A	1,494.2	1,444.2	1,426.6	1,300.3	1,000.3 A	656.2	13.7	18.9	58.9	362	228	220	217	198
BWS	\$ BROWN SHOE CO INC	# JAN	2,504.1	2,242.0	2,276.4	2,359.9 A	2,470.9	2,292.1 A	1,684.9	4.0	1.8	11.7	149	133	135	140	147
BKE	\$ BUCKLE INC	# JAN	949.8	898.3	792.0	619.9	530.1	501.1	393.2 C	9.2	13.6	5.7	242	228	201	158	135
CATO	\$ CATO CORP -CL A	# JAN	925.5 F	884.0 F	857.7 F	846.4 F	875.9 F	836.4 F	669.1 F	3.3	2.0	4.7	138	132	128	126	131
CHS	† CHICOS FAS INC	# JAN	1,905.0	1,713.2	1,582.4	1,714.3 D	1,646.5	1,404.6	259.4	22.1	6.3	11.2	734	680	610	661	635
PLCE	\$ CHILDRENS PLACE RETAIL STRS	# JAN	1,674.0	1,643.6	1,630.3 D	2,162.6	2,017.7	1,668.7	587.4	11.0	0.1	1.9	285	280	278	368	344
CBK	\$ CHRISTOPHER & BANKS CORP	# FEB	448.1	455.4	530.7 D	575.8	547.3	490.5	209.2	7.9	(1.8)	(1.6)	214	218	254	275	262
CWTR	\$ COLDWATER CREEK INC	# JAN	981.1	1,038.6	1,024.2	1,151.5	1,054.6	779.7	458.4	7.9	4.7	(5.5)	214	227	223	251	230
PSS	† COLLECTIVE BRANDS INC	# JAN	3,375.7	3,307.9	3,442.0	3,035.4 A	2,796.7 D	2,667.3	2,948.4	1.4	4.8	2.0	114	112	117	103	95
FINL	\$ FINISH LINE INC -CL A	# FEB	1,229.0	1,169.8 D	1,262.3	1,277.2 D	1,338.2	1,306.0	663.9	6.4	(1.2)	5.1	185	176	190	192	202
FL	† FOOT LOCKER INC	# JAN	5,049.0	4,854.0	5,237.0	5,437.0	5,750.0	5,653.0	4,356.0 C,D	1.5	(2.2)	4.0	116	111	120	125	132
GPS	□ GAP INC	# JAN	14,664.0	14,197.0	14,526.0	15,763.0 D	15,943.0	16,023.0	13,673.5	0.7	(1.8)	3.3	107	104	106	115	117
GCO	\$ GENESCO INC	# JAN	1,789.8	1,574.4 A	1,551.6	1,502.1 A	1,460.5	1,283.9 D	680.2 D	10.2	6.9	13.7	263	231	228	221	215
GES	† GUESS INC	# JAN	2,372.1 F	2,031.1 F	1,993.1 F	1,659.2 A,F	1,119.9 A,F	887.8 A,F	741.4 F	12.3	21.7	16.8	320	274	269	224	151
HOTT	\$ HOT TOPIC INC	# JAN	708.2	736.7	761.1	728.1	751.6	725.1	257.2	10.7	(0.5)	(3.9)	275	286	296	283	292
JOSB	\$ JOS A BANK CLOTHIERS INC	# JAN	858.1	770.3	695.9	604.0	546.4	464.6	206.3	15.3	13.1	11.4	416	373	337	293	265
LTD	□ LIMITED BRANDS INC	# JAN	9,613.0	8,632.0	9,043.0	10,086.0	10,671.0 A	9,669.0	10,104.6	(0.5)	(0.1)	11.4	95	85	89	100	106
MW	\$ MENS WEARHOUSE INC	# JAN	2,102.7 A	1,909.6	1,972.4	2,112.6 A	1,882.1	1,724.9	1,333.5	4.7	4.0	10.1	158	143	148	158	141
ROST	□ ROSS STORES INC	# JAN	7,866.1	7,184.2	6,486.1	5,975.2	5,570.2	4,944.2	2,709.0	11.2	9.7	9.5	290	265	239	221	206
RUE	\$ RUE21 INC	# JAN	634.7	525.6	391.4	296.9	NA	NA	NA	NA	NA	20.8	**	**	**	NA	NA
SSI	\$ STAGE STORES INC	# JAN	1,470.6	1,431.9	1,515.8	1,545.6	1,550.2 A	1,344.1	952.3	4.4	1.8	2.7	154	150	159	162	163
SMRT	\$ STEIN MART INC	# JAN	1,181.5 F	1,219.1 F	1,326.5 F	1,457.6 F	1,501.3 F	1,481.6	1,206.6	(0.2)	(4.4)	(3.1)	98	101	110	121	124
TJX	□ TJX COMPANIES INC	# JAN	21,942.2	20,288.4	18,998.5 D	18,647.1	17,404.6 D	16,057.9	9,579.0	8.6	6.4	8.2	229	212	198	195	182
URBN	□ URBAN OUTFITTERS INC	# JAN	2,274.1	1,937.8	1,834.6	1,507.7	1,224.7	1,092.1	295.3	22.6	15.8	17.4	770	666	621	511	415
ZUMZ	\$ ZUMIEZ INC	# JAN	478.8	407.6	408.7	381.4	298.2 A	205.6	NA	NA	18.4	17.5	**	**	**	**	NA

Operating Revenues

Ticker	Company	Yr. End	Million \$					CAGR (%)			Index Basis (2000 = 100)						
			2010	2009	2008	2007	2006	2005	2000	10-Yr.	5-Yr.	1-Yr.	2010	2009	2008	2007	2006
FOOTWEAR†																	
CROX	\$ GROCS INC	DEC	789.7	645.8	721.6	847.3 A	354.7 A	108.6	NA	48.7	22.3	**	**	**	**	NA	
DECK	† DECKERS OUTDOOR CORP	DEC	1,001.0	813.2 A	689.4 A	448.9	304.4	264.8	113.7	24.3	30.5	23.1	880	715	606	395	268
ICON	\$ ICONIX BRAND GROUP INC	DEC	332.6	221.3 C	216.8 A	160.0 A	80.7 A	30.2 A	95.2	13.3	61.6	50.3	349	232	228	168	85
KSWI	\$ K-SWISS INC -CL A	DEC	217.0	240.7 D	340.2 A	410.4	501.1	508.6	221.6	(0.2)	(15.7)	(9.9)	98	109	153	185	226
SHOO	\$ MADDEN STEVEN LTD	DEC	658.0	523.5	471.3	449.4	489.4 A	382.9	210.0	12.1	11.4	25.7	313	249	224	214	233
NKE	□ NIKE INC -CL B	# MAY	20,862.0	19,014.0	19,176.1	18,627.0	16,325.9	14,954.9	9,488.8	8.2	6.9	9.7	220	200	202	196	172
SKX	\$ SKECHERS U S A INC	DEC	2,006.9	1,436.4	1,440.7	1,394.2	1,205.4	1,006.5	675.0	11.5	14.8	39.7	297	213	213	207	179
TBL	† TIMBERLAND CO -CL A	DEC	1,429.5	1,285.9	1,364.6	1,436.5	1,567.6	1,565.7	1,091.5	2.7	(1.8)	11.2	131	118	125	132	144
WWW	\$ WOLVERINE WORLD WIDE	DEC	1,248.5	1,101.1	1,220.6	1,199.0	1,141.9	1,061.0	701.3	5.9	3.3	13.4	178	157	174	171	163
OTHER COMPANIES WITH SIGNIFICANT APPAREL OPERATIONS																	
BEBE	BEBE STORES INC	JUN	509.0	603.0	687.6	670.9	579.1	509.5	241.8	7.7	(0.0)	(15.6)	210	249	284	277	239
COLM	COLUMBIA SPORTSWEAR CO	DEC	1,491.5	1,252.4	1,323.8	1,361.2	1,293.2	1,160.2 A	614.8	9.3	5.2	19.1	243	204	215	221	210

Note: Data as originally reported. CAGR-Compound annual growth rate. †S&P 1500 index group. [Company included in the S&P 500. ‡Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.

**Not calculated; data for base year or end year not available. A - This year's data reflect an acquisition or merger. B - This year's data reflect a major merger resulting in the formation of a new company. C - This year's data reflect an accounting change.

D - Data exclude discontinued operations. E - Includes excise taxes. F - Includes other (nonoperating) income. G - Includes sale of leased depts. H - Some or all data are not available, due to a fiscal year change.

Net Income

Ticker	Company	Yr. End	Million \$					CAGR (%)			Index Basis (2000 = 100)						
			2010	2009	2008	2007	2006	2005	2000	10-Yr.	5-Yr.	1-Yr.	2010	2009	2008	2007	2006
APPAREL, ACCESSORIES & LUXURY GOODS†																	
CRI	\$ CARTER'S INC	DEC	146.5	115.6	77.9	(70.6)	87.2	47.2	NA	NA	25.4	26.7	**	**	**	**	NA
COH	‡ COACH INC	JUN	734.9	623.4	783.0	636.5	494.3	388.7	38.6	34.3	13.6	17.9	1,904	1,615	2,028	1,649	1,280
PERY	\$ ELLIS PERRY INTL INC	# JAN	24.1	13.2	(12.9)	28.2	22.7	7.8	7.8	11.9	1.2	83.1	308	168	(165)	360	286
FOSL	\$ FOSSIL INC	DEC	255.2	139.2	138.1	123.3	77.6	78.1	55.9	16.4	26.7	83.4	457	249	247	221	139
HBI	† HANESBRANDS INC	DEC	211.3	51.3	127.2	126.1	322.5	218.5	NA	NA	(0.7)	312.0	**	**	**	**	NA
LIZ	\$ LIZ CLAIBORNE INC	DEC	(220.1)	(293.4)	(813.6)	(370.0)	254.7	317.4	184.6	NM	NM	NM	(119)	(159)	(441)	(200)	138
MFB	\$ MAIDENFORM BRANDS INC	DEC	45.3	37.0	24.7	34.2	27.8	8.9	NA	NA	38.3	22.4	**	**	**	**	NA
MOV	\$ MOVADO GROUP INC	# JAN	(21.2)	(54.6)	2.3	60.8	50.1	26.6	20.8	NM	NM	NM	(102)	(263)	11	293	241
OMX	\$ OXFORD INDUSTRIES INC	# JAN	16.2	14.6	(265.8)	38.5	52.3	51.2	15.3	0.6	(20.5)	11.0	106	95	(1,732)	251	341
RL	‡ POLO RALPH LAUREN CP -CL A	# MAR	567.6	479.5	406.0	419.8	400.9	308.0	59.3	25.4	13.0	18.4	958	809	685	708	676
PVH	† PVH CORP	# JAN	53.8	161.9	91.8	183.3	155.2	111.7	30.1	6.0	(13.6)	(66.8)	179	538	305	609	516
ZQK	\$ QUIKSILVER INC	OCT	(11.5)	(73.2)	65.5	(98.6)	93.0	107.1	31.8	NM	NM	NM	(36)	(230)	206	(310)	292
TRLG	\$ TRUE RELIGION APPAREL INC	DEC	43.5	47.3	44.4	27.8	21.7	19.5	NA	NA	17.4	(8.1)	**	**	**	**	NA
UA	† UNDER ARMOUR INC	DEC	68.5	46.8	38.2	52.6	39.0	19.7	NA	NA	28.3	46.4	**	**	**	**	NA
VFC	‡ VF CORP	DEC	571.4	461.3	602.7	613.2	535.1	518.5	267.1	7.9	2.0	23.9	214	173	226	230	200
WRC	† WARNACO GROUP INC	DEC	147.8	102.2	50.2	82.9	73.6	49.7	(331.1)	NM	24.4	44.6	NM	NM	NM	NM	NM
APPAREL RETAIL‡																	
ANF	‡ ABERCROMBIE & FITCH -CL A	# JAN	150.3	79.0	272.3	475.7	422.2	334.0	158.1	(0.5)	(14.8)	90.3	95	50	172	301	267
ARO	‡ AEROPOSTALE INC	# JAN	231.3	229.5	149.4	129.2	106.6	84.0	9.4	37.8	22.5	0.8	2,470	2,450	1,595	1,379	1,139
AEO	† AMERN EAGLE OUTFITTERS INC	# JAN	181.9	169.0	179.1	400.0	387.4	293.7	93.8	6.9	(9.1)	7.6	194	180	191	427	413
ANN	† ANN INC	# JAN	73.4	(18.2)	(333.9)	97.2	143.0	81.9	52.4	3.4	(2.2)	NM	140	(35)	(638)	186	273
ASNA	† ASCENA RETAIL GROUP INC	JUL	133.4	69.7	74.1	101.2	79.0	52.6	36.7	13.8	20.5	91.4	363	190	202	275	215
BWS	\$ BROWN SHOE CO INC	# JAN	37.2	9.5	(133.2)	60.4	65.7	41.0	36.4	0.2	(1.9)	291.9	102	26	(366)	166	181
BKE	\$ BUCKLE INC	# JAN	134.7	127.3	104.4	75.2	55.7	51.9	34.8	14.5	21.0	5.8	387	366	300	216	160
CATO	\$ CATO CORP -CL A	# JAN	57.7	45.8	33.6	32.3	51.5	44.8	39.0	4.0	5.2	26.2	148	117	86	83	132
CHS	† CHICOS FAS INC	# JAN	115.4	69.6	(19.1)	91.1	166.6	194.0	28.4	15.1	(9.9)	65.7	407	245	(67)	321	587
PLCE	\$ CHILDRENS PLACE RETAIL STRS	# JAN	83.6	88.8	73.9	(59.6)	87.4	63.9	42.7	7.0	5.5	(5.9)	196	208	173	(140)	205
CBK	\$ CHRISTOPHER & BANKS CORP	# FEB	(22.2)	0.2	(8.1)	17.0	33.7	30.4	25.5	NM	NM	NM	(87)	1	(32)	67	132
CWTR	\$ COLDWATER CREEK INC	# JAN	(44.1)	(56.1)	(26.0)	(2.5)	55.4	41.6	13.2	NM	NM	NM	(333)	(424)	(196)	(19)	418
PSS	† COLLECTIVE BRANDS INC	# JAN	112.8	82.6	(68.0)	42.7	125.4	74.2	124.2	(1.0)	8.7	36.6	91	67	(55)	34	101
FINL	\$ FINISH LINE INC -CL A	# FEB	68.9	50.8	4.0	(48.5)	32.4	60.5	3.7	33.8	2.6	35.5	1,839	1,357	108	(1,295)	864
FL	† FOOT LOCKER INC	# JAN	169.0	47.0	(79.0)	49.0	247.0	263.0	107.0	4.7	(8.5)	259.6	158	44	(74)	46	231
GPS	‡ GAP INC	# JAN	1,204.0	1,102.0	967.0	867.0	778.0	1,113.0	877.5	3.2	1.6	9.3	137	126	110	99	89
GCO	\$ GENESCO INC	# JAN	54.5	29.1	158.1	8.5	68.2	62.6	32.8	5.2	(2.7)	87.5	166	89	482	26	208
GES	† GUESS INC	# JAN	289.5	242.8	213.6	186.5	123.2	58.8	16.5	33.2	37.5	19.3	1,755	1,472	1,295	1,131	747
HOTT	\$ HOT TOPIC INC	# JAN	(8.2)	11.9	19.7	16.0	13.6	22.4	23.2	NM	NM	NM	(35)	51	85	69	59
JOSB	\$ JOS A BANK CLOTHIERS INC	# JAN	85.8	71.2	58.4	50.2	43.2	35.3	5.0	32.8	19.5	20.6	1,708	1,416	1,163	999	860
LTD	‡ LIMITED BRANDS INC	# JAN	805.0	448.0	220.0	718.0	675.0	666.0	427.9	6.5	3.9	79.7	188	105	51	168	158
MW	\$ MENS WEARHOUSE INC	# JAN	67.7	45.5	58.8	147.0	148.6	103.9	84.7	(2.2)	(8.2)	48.8	80	54	70	174	175
ROST	‡ ROSS STORES INC	# JAN	554.8	442.8	305.4	261.1	241.6	199.6	151.8	13.8	22.7	25.3	366	292	201	172	159
RUE	\$ RUE21 INC	# JAN	30.2	22.0	12.6	9.1	NA	NA	NA	NA	NA	37.4	**	**	**	**	NA
SSI	\$ STAGE STORES INC	# JAN	37.6	28.7	(65.5)	53.1	55.3	55.9	(162.2)	NM	(7.6)	31.1	NM	NM	NM	NM	NM
SMRT	\$ STEIN MART INC	# JAN	48.8	23.6	(71.3)	(4.5)	37.2	50.9	39.4	2.2	(0.9)	107.0	124	60	(181)	(12)	94
TJX	‡ TJX COMPANIES INC	# JAN	1,339.5	1,213.6	914.9	771.8	776.8	690.4	538.1	9.5	14.2	10.4	249	226	170	143	144
URBN	‡ URBAN OUTFITTERS INC	# JAN	273.0	219.9	199.4	160.2	116.2	130.8	10.5	38.5	15.9	24.1	2,601	2,095	1,900	1,527	1,107
ZUMZ	\$ ZUMIEZ INC	# JAN	24.2	9.1	17.2	25.3	20.9	12.9	NA	NA	13.5	165.1	**	**	**	**	NA

Net Income

Ticker	Company	Yr. End	2010	2009	2008	2007	2006	2005	2000	10-Yr. CAGR (%)	5-Yr. CAGR (%)	1-Yr.	2010	2009	2008	2007	2006
Index Basis (2000 = 100)																	
Million \$																	
Footwear†																	
CROX	\$ CROCS INC	DEC	67.7	(42.1)	(185.1)	168.2	64.4	17.0	NA	NA	31.9	NM	**	**	**	**	NA
DECK	† DECKERS OUTDOOR CORP	DEC	158.2	116.8	73.9	66.4	30.6	31.8	7.0	36.6	37.8	35.5	2,256	1,665	1,054	947	436
ICON	\$ ICONIX BRAND GROUP INC	DEC	98.8	75.1	70.2	63.8	32.5	15.9	(8.2)	NM	44.0	31.6	NM	NM	NM	NM	NM
KSWI	\$ K-SWISS INC -CL A	DEC	(68.2)	(27.5)	20.9	39.1	76.9	75.2	21.1	NM	NM	NM	(324)	(131)	99	186	365
SHOO	\$ MADDEN STEVEN LTD	DEC	75.7	50.1	28.0	35.7	46.3	19.2	16.0	16.8	31.6	51.1	472	312	174	222	288
NKE	□ NIKE INC -CL B	# MAY	2,133.0	1,906.7	1,486.7	1,883.4	1,491.5	1,392.0	589.7	13.7	8.9	11.9	362	323	252	319	253
SKX	\$ SKECHERS U S A INC	DEC	136.1	54.7	55.4	75.7	71.0	44.7	43.8	12.0	24.9	148.9	311	125	127	173	162
TBL	† TIMBERLAND CO -CL A	DEC	96.6	56.6	42.9	40.0	101.2	164.6	124.1	(2.5)	(10.1)	70.6	78	46	35	32	82
WWW	\$ WOLVERINE WORLD WIDE	DEC	104.5	61.9	95.8	92.9	83.6	74.5	10.7	25.6	7.0	68.7	977	579	896	869	782
Other Companies with Significant Apparel Operations																	
BEBE	BEBE STORES INC	JUN	(5.2)	12.6	63.1	77.3	73.8	66.3	29.4	NM	NM	NM	(18)	43	215	263	251
COLM	COLUMBIA SPORTSWEAR CO	DEC	77.0	67.0	95.0	144.5	123.0	130.7	58.6	2.8	(10.0)	14.9	131	114	162	246	210

Note: † Data as originally reported. CAGR-Compound annual growth rate. ‡S&P 1500 index group. [Company included in the S&P 500. †Company included in the S&P MidCap 400. ‡Company included in the S&P SmallCap 600.
#Of the following calendar year. **Not calculated; data for base year or end year not available.

Ticker	Company	Yr. End	Return on Revenues (%)				Return on Assets (%)				Return on Equity (%)						
			2010	2009	2008	2007	2006	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
APPAREL, ACCESSORIES & LUXURY GOODS†																	
CRI	\$ CARTER'S INC	DEC	8.2	7.1	5.1	NM	6.4	11.9	10.3	7.7	NM	7.8	23.7	23.9	19.6	NM	19.8
COH	□ COACH INC	JUN	20.4	19.3	24.6	24.4	23.4	29.2	25.8	33.2	31.2	33.2	45.9	38.8	45.7	41.1	44.5
PERY	\$ ELLIS PERRY INTL INC	#	3.1	1.7	NM	3.3	2.7	3.9	2.3	NM	4.8	3.9	8.5	5.1	NM	10.8	9.6
FOSL	† FOSSIL INC	DEC	12.6	9.0	8.7	8.6	6.4	18.6	11.8	12.5	12.5	9.7	25.4	15.8	17.5	17.9	13.8
HBI	† HANES BRANDS INC	DEC	4.9	1.3	3.0	2.8	7.2	5.9	1.5	3.6	3.0	7.1	47.1	19.7	53.7	7.2	11.1
LIZ	\$ LIZ CLAIBORNE INC	DEC	NM	NM	NM	NM	5.1	NM	NM	NM	NM	7.7	NM	NM	NM	NM	12.3
MFB	\$ MAIDENFORM BRANDS INC	DEC	8.1	7.9	6.0	8.1	6.7	12.7	11.3	8.6	13.0	11.3	25.3	25.8	22.5	39.2	43.5
MOV	\$ MOVADO GROUP INC	#	NM	NM	0.5	10.6	9.4	NM	NM	0.4	9.9	8.9	NM	NM	0.5	14.5	14.3
OMX	\$ OXFORD INDUSTRIES INC	#	2.6	1.8	NM	3.9	4.6	3.3	3.3	NM	4.2	5.8	11.4	14.8	NM	9.0	12.3
RL	□ POLO RALPH LAUREN CP -CL A	#	10.0	9.6	8.1	8.6	9.4	11.8	10.6	9.3	10.3	11.7	17.7	16.4	15.8	17.8	18.3
PVH	† PVH CORP	#	1.2	6.7	3.7	7.6	7.4	1.2	7.1	4.2	8.8	8.1	3.1	14.9	9.4	19.3	19.6
ZQK	\$ QUIKSILVER INC	OCT	NM	NM	2.9	NM	3.9	NM	NM	2.7	NM	4.0	NM	NM	8.8	NM	11.5
TRLG	\$ TRUE RELIGION APPAREL INC	DEC	12.0	15.2	16.4	16.1	15.5	16.5	23.9	31.7	28.9	35.1	19.5	27.8	37.4	34.9	43.7
UA	† UNDER ARMOUR INC	DEC	6.4	5.5	5.3	8.7	9.1	11.2	9.1	8.7	15.5	15.8	15.3	12.8	12.5	21.2	21.3
VFC	□ VF CORP	DEC	7.4	6.4	7.9	8.5	8.6	8.8	7.1	9.4	10.3	10.0	14.9	12.5	16.9	17.9	17.6
WRC	† WARNACO GROUP INC	DEC	6.4	5.1	2.4	4.5	4.0	8.9	6.5	3.2	5.0	5.1	15.7	12.0	6.4	11.4	11.2
APPAREL RETAIL‡																	
ANF	□ ABERCROMBIE & FITCH -CL A	#	4.3	2.7	7.7	12.7	12.7	5.2	2.8	10.1	19.8	20.9	8.1	4.3	15.7	31.5	35.2
ARO	† AEROPOSTALE INC	#	9.6	10.3	7.9	8.1	7.5	29.6	31.6	25.5	23.6	19.7	53.4	58.1	54.1	50.7	35.7
AEO	† AMERN EAGLE OUTFITTERS INC	#	6.1	5.7	6.0	13.1	13.9	9.1	8.2	9.3	20.8	21.6	12.4	11.3	13.0	29.0	30.1
ANN	† ANN INC	#	3.7	NM	NM	4.1	6.1	8.0	NM	6.6	9.3	NM	17.5	NM	NM	10.3	13.7
ASNA	† ASCENA RETAIL GROUP INC	JUL	5.6	4.7	5.1	7.1	6.1	9.6	6.5	7.4	11.1	10.1	16.2	11.8	13.9	22.0	21.9
BWS	\$ BROWN SHOE CO INC	#	1.5	0.4	NM	2.6	2.7	3.4	0.9	NM	5.5	6.2	9.1	2.4	NM	11.2	13.7
BKE	\$ BUCKLE INC	#	14.2	14.2	13.2	12.1	10.5	27.4	26.7	22.8	18.4	15.0	38.5	36.8	30.9	24.1	19.0
CATO	\$ CATO CORP -CL A	#	6.2	5.2	3.9	3.8	5.9	11.5	10.0	7.9	7.6	12.3	18.7	16.5	13.2	12.3	19.9
CHS	† CHICOS FAS INC	#	6.1	4.1	NM	5.3	10.1	8.4	5.5	NM	7.9	16.2	11.3	7.4	NM	10.6	20.7
PLCE	\$ CHILDRENS PLACE RETAIL STRS	#	5.0	5.4	4.5	NM	4.3	9.8	9.9	7.6	NM	10.3	14.0	15.6	14.5	NM	19.1
CBK	\$ CHRISTOPHER & BANKS CORP	#	NM	0.0	NM	3.0	6.2	NM	0.1	NM	5.5	11.8	NM	0.1	NM	7.7	16.1
CWTR	\$ COLDWATER CREEK INC	#	NM	NM	NM	NM	5.3	NM	NM	NM	NM	10.7	NM	NM	NM	NM	19.6
PSS	† COLLECTIVE BRANDS INC	#	3.3	2.5	NM	1.4	4.5	5.0	3.6	NM	2.2	9.1	14.5	12.2	NM	6.1	18.5
FINL	\$ FINISH LINE INC -CL A	#	5.6	4.3	0.3	NM	2.4	10.8	8.4	0.7	NM	5.0	14.8	11.7	1.0	NM	7.4
FL	† FOOT LOCKER INC	#	3.3	1.0	NM	0.9	4.3	5.9	1.7	NM	1.5	7.5	8.5	2.4	NM	2.1	11.4
GPS	□ GAP INC	#	8.2	7.8	6.7	5.5	4.9	16.0	14.2	12.6	10.6	9.0	26.8	23.8	22.3	18.4	14.7
GCO	\$ GENESCO INC	#	3.0	1.8	10.2	0.6	4.7	6.0	3.4	19.5	1.1	9.6	9.1	5.7	36.8	2.0	18.4
GES	† GUESS INC	#	12.2	12.0	10.7	11.2	11.0	18.0	17.5	17.6	18.4	16.8	27.9	27.0	29.8	34.3	34.2
HOTT	\$ HOT TOPIC INC	#	NM	1.6	2.6	2.2	1.8	NM	3.2	5.6	4.9	4.4	NM	4.4	8.0	7.0	6.4
JOSB	\$ JOS A BANK CLOTHIERS INC	#	10.0	9.2	8.4	8.3	7.9	14.1	13.6	12.5	12.4	12.8	19.6	19.9	20.0	21.4	23.9
LTD	□ LIMITED BRANDS INC	#	8.4	5.2	2.4	7.1	6.3	11.8	6.3	3.1	9.9	10.0	44.0	22.1	10.8	27.8	24.9
MW	\$ MENS WEARHOUSE INC	#	3.2	2.4	3.0	7.0	7.9	5.3	3.8	4.8	12.5	13.4	7.2	5.2	7.1	18.7	21.5
ROST	□ ROSS STORES INC	#	7.1	6.2	4.7	4.4	4.3	18.9	17.3	12.9	11.0	11.2	44.6	41.1	31.1	27.8	27.7
RUE	\$ RUE21 INC	#	4.8	4.2	3.2	3.1	NA	13.5	13.4	10.4	NA	NA	35.7	51.3	104.7	NA	NA
SSI	\$ STAGE STORES INC	#	2.6	2.0	NM	3.4	3.6	4.7	3.7	3.7	6.3	7.1	7.8	6.2	NM	9.7	10.3
SMRT	\$ STEIN MART INC	#	4.1	1.9	NM	NM	2.5	11.6	5.5	NM	NM	7.4	21.1	11.7	NM	NM	12.2
TJX	□ TJX COMPANIES INC	#	6.1	6.0	4.8	4.1	4.5	17.4	17.8	14.3	12.2	13.4	44.7	48.3	42.9	34.9	37.1
URBN	□ URBAN OUTFITTERS INC	#	12.0	11.3	10.9	10.6	9.5	15.9	14.8	16.1	15.7	13.9	20.2	18.7	20.9	21.0	18.8
ZUMZ	\$ ZUMIEZ INC	#	5.1	2.2	4.2	6.6	7.0	8.6	3.7	7.7	13.2	14.8	11.5	4.9	10.3	19.5	23.4

Ticker	Company	Yr. End	Return on Revenues (%)				Return on Assets (%)				Return on Equity (%)						
			2010	2009	2008	2007	2006	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
FOOTWEAR†																	
CROX	\$ CROCS INC	DEC	8.6	NM	NM	19.9	18.2	14.1	NM	NM	36.3	34.1	20.4	NM	NM	51.6	56.7
DECK	† DECKERS OUTDOOR CORP	DEC	15.8	14.4	10.7	14.8	10.1	22.5	21.6	17.3	21.4	13.3	27.7	26.7	21.7	26.1	15.8
ICON	\$ ICONIX BRAND GROUP INC	DEC	29.7	33.9	32.4	39.8	40.3	5.3	4.7	5.1	6.3	7.1	10.2	9.9	12.3	12.8	11.5
KWSW	\$ K-SWISS INC -CL A	DEC	NM	NM	6.1	9.5	15.3	NM	NM	5.0	9.2	20.8	NM	NM	5.9	10.7	24.7
SHOO	\$ MADDEN STEVEN LTD	DEC	11.5	9.6	5.9	7.9	9.5	19.6	16.4	10.2	13.8	20.0	24.2	21.1	13.3	16.7	23.5
NKE	□ NIKE INC -CL B	# MAY	10.2	10.0	7.8	10.1	9.1	14.5	13.8	11.6	16.3	14.5	21.8	20.7	18.0	25.4	22.4
SKX	\$ SKECHERS U S A INC	DEC	6.8	3.8	3.8	5.4	5.9	11.8	5.8	6.5	9.7	10.8	16.5	7.7	8.6	14.1	17.9
TBL	† TIMBERLAND CO -CL A	DEC	6.8	4.4	3.1	2.8	6.5	11.0	6.6	5.1	4.7	12.3	16.0	9.7	7.4	7.0	18.6
WWW	\$ WOLVERINE WORLD WIDE	DEC	8.4	5.6	7.9	7.7	7.3	14.0	9.0	14.7	14.2	12.9	20.4	13.6	21.1	18.9	17.3
OTHER COMPANIES WITH SIGNIFICANT APPAREL OPERATIONS																	
BEBE	BEBE STORES INC	JUN	NM	2.1	9.2	11.5	12.7	NM	2.2	10.5	13.9	16.2	NM	2.7	12.7	16.9	19.9
COLM	COLUMBIA SPORTSWEAR CO	DEC	5.2	5.4	7.2	10.6	9.5	6.1	5.7	8.2	13.2	12.3	7.7	6.9	9.9	16.0	15.6

Note: Data as originally reported. †S&P 1500 index group. [Company included in the S&P 500. †Company included in the S&P MidCap 400. \$Company included in the S&P SmallCap 600. #Of the following calendar year.

Ticker	Company	Yr. End	Current Ratio				Debt / Capital Ratio (%)				Debt as a % of Net Working Capital						
			2010	2009	2008	2007	2006	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
APPAREL, ACCESSORIES & LUXURY GOODS†																	
CRI	\$ CARTER'S INC	DEC	3.9	4.0	3.6	4.1	2.9	22.9	33.2	39.0	40.5	35.5	44.3	65.5	92.9	103.4	128.8
COH	□ COACH INC	JUN	2.5	3.0	3.1	4.3	2.9	1.6	1.5	0.2	0.1	0.3	3.1	2.7	0.3	0.2	0.5
PERY	\$ ELLIS PERRY INTL INC	# JAN	3.2	2.8	4.0	3.4	3.7	42.1	34.9	47.5	38.1	48.8	91.3	76.6	94.8	80.5	103.2
FOSL	† FOSSIL INC	DEC	3.4	3.9	3.7	3.0	2.6	0.4	0.5	0.6	0.6	0.3	0.6	0.6	0.9	0.9	0.5
HBI	† HANES BRANDS INC	DEC	2.6	2.1	2.8	3.0	2.3	78.0	83.8	91.8	88.7	0.1	151.0	183.1	156.4	164.8	0.1
LIZ	\$ LIZ CLAIBORNE INC	DEC	1.1	1.4	1.7	2.0	2.2	98.2	68.0	53.7	35.5	20.7	NM	211.2	146.6	105.3	71.6
MFB	\$ MAIDENFORM BRANDS INC	DEC	3.9	3.2	3.3	2.6	3.4	24.4	31.3	37.8	42.3	54.7	41.5	54.2	72.4	97.7	134.5
MOV	\$ MOVADO GROUP INC	# JAN	6.0	6.5	3.3	5.2	5.3	0.0	2.6	0.0	9.9	16.6	0.0	3.1	0.0	12.1	19.6
OMX	\$ OXFORD INDUSTRIES INC	# JAN	1.8	1.9	2.1	1.9	2.3	41.3	52.4	60.8	33.3	27.5	120.7	165.5	159.9	165.5	103.9
RL	□ POLO RALPH LAUREN CP -CL A	# MAR	3.0	3.0	3.1	2.1	2.6	9.0	9.2	14.9	18.4	16.0	20.2	21.0	34.9	55.4	42.6
PVH	† PVH CORP	# JAN	2.0	2.7	2.5	2.3	2.8	44.5	22.9	25.3	25.4	25.0	262.0	63.2	77.6	83.9	79.6
ZQK	\$ QUIKSILVER INC	OCT	2.6	2.3	1.9	1.7	1.7	53.5	66.6	56.8	46.5	43.6	130.4	162.3	125.2	122.2	121.3
TRLG	\$ TRUE RELIGION APPAREL INC	DEC	7.7	8.8	7.1	5.3	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
UA	\$ UNDER ARMOUR INC	DEC	3.7	3.7	3.0	3.4	3.4	1.8	2.7	3.8	3.4	1.3	2.2	3.3	5.0	4.3	1.6
VFC	□ VF CORP	DEC	2.5	2.4	2.6	2.3	2.5	19.5	19.4	24.2	23.8	16.2	54.5	61.1	69.6	75.8	40.6
WRC	† WARNACO GROUP INC	DEC	2.1	2.3	2.1	2.5	1.9	0.0	10.3	16.3	27.1	29.2	0.0	20.1	34.5	52.8	73.2
APPAREL RETAIL†																	
ANF	□ ABERCROMBIE & FITCH -CL A	# JAN	2.6	2.8	2.4	2.1	2.1	3.4	3.7	5.1	0.0	0.0	7.8	9.1	15.7	0.0	0.0
ARO	† AEROPOSTALE INC	# JAN	2.2	2.2	2.2	1.4	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AEO	† AMERN EAGLE OUTFITTERS INC	# JAN	3.0	2.9	2.3	2.7	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ANN	† ANN INC	# JAN	2.0	1.8	1.4	1.6	2.3	0.8	0.4	1.1	0.0	0.0	1.3	0.7	3.8	0.0	0.0
ASNA	† ASCENA RETAIL GROUP INC	JUL	2.0	1.6	1.3	1.3	1.5	2.3	4.0	4.6	5.3	25.7	6.9	12.7	27.2	27.4	118.8
BWS	\$ BROWN SHOE CO INC	# JAN	1.6	1.7	1.7	2.1	1.9	26.0	27.2	27.2	20.8	21.6	50.6	51.0	53.7	45.0	49.4
BKE	\$ BUCKLE INC	# JAN	2.7	2.9	3.2	3.4	4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CATO	\$ CATO CORP -CL A	# JAN	2.4	2.2	2.1	2.0	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CHS	† CHICOS FAS INC	# JAN	3.4	3.1	3.3	2.7	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PLCE	\$ CHILDRENS PLACE RETAIL STRS	# JAN	3.7	3.1	2.5	1.6	2.2	0.0	0.0	9.1	0.0	0.0	0.0	0.0	17.6	0.0	0.0
CBK	\$ CHRISTOPHER & BANKS CORP	# FEB	2.9	3.6	2.8	2.8	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CWTR	\$ COLDWATER CREEK INC	# JAN	1.5	1.5	1.5	1.7	2.1	5.8	4.5	4.5	4.6	0.3	15.0	11.6	14.3	12.5	0.6
PSS	† COLLECTIVE BRANDS INC	# JAN	2.3	2.7	2.4	2.3	2.4	42.6	51.3	56.1	52.3	22.1	109.7	127.8	159.6	174.2	38.3
FINL	\$ FINISH LINE INC -CL A	# FEB	4.0	3.9	3.6	2.6	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FL	† FOOT LOCKER INC	# JAN	4.0	4.1	4.2	4.1	3.9	6.3	6.6	6.8	8.8	8.7	9.5	10.3	10.5	14.1	14.5
GPS	□ GAP INC	# JAN	1.9	2.2	1.9	1.7	2.2	0.0	0.0	0.0	1.2	3.5	0.0	0.0	0.0	3.0	6.8
GCO	\$ GENESCO INC	# JAN	2.2	2.7	2.9	2.6	2.5	0.0	0.0	21.0	26.9	21.1	NM	NM	45.7	65.2	54.5
GES	† GUESS INC	# JAN	2.7	3.3	2.7	2.1	2.0	1.1	1.3	1.8	2.7	4.0	1.7	1.8	2.6	4.4	6.6
HOTT	\$ HOT TOPIC INC	# JAN	2.9	3.6	2.7	2.8	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
JOSB	\$ JOS A BANK CLOTHIERS INC	# JAN	4.3	4.0	3.2	2.5	2.2	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.3
LTD	□ LIMITED BRANDS INC	# JAN	1.7	2.5	2.3	2.1	1.6	59.9	53.2	58.1	54.3	34.2	230.4	141.2	179.7	188.0	156.8
MW	\$ MENS WEARHOUSE INC	# JAN	2.9	3.2	2.9	2.4	3.0	0.3	4.6	6.9	10.1	8.7	0.6	9.0	15.3	23.5	16.0
ROST	□ ROSS STORES INC	# JAN	1.5	1.5	1.4	1.4	1.4	9.5	10.7	12.1	12.5	13.1	21.7	27.0	41.8	38.7	34.7
RUE	\$ RUE21 INC	# JAN	1.4	1.2	1.0	1.1	NA	0.0	0.0	48.9	82.9	NA	0.0	0.0	NM	708.8	NA
SSI	\$ STAGE STORES INC	# JAN	2.4	2.3	2.2	2.4	2.6	4.7	7.3	9.1	15.3	2.8	9.5	15.8	22.7	40.0	6.5
SWRT	\$ STEIN MART INC	# JAN	2.0	1.9	2.5	2.1	2.0	0.0	0.0	34.9	9.6	0.0	0.0	0.0	48.5	16.4	0.0
TJX	□ TJX COMPANIES INC	# JAN	1.6	1.7	1.3	1.4	1.6	19.1	20.4	14.5	28.2	25.9	40.0	41.4	44.7	69.3	59.2
URBN	□ URBAN OUTFITTERS INC	# JAN	3.8	4.3	4.4	2.6	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ZUMZ	\$ ZUMIEZ INC	# JAN	4.4	4.4	4.6	3.1	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Ticker	Company	Yr. End	Current Ratio				Debt / Capital Ratio (%)				Debt as a % of Net Working Capital			
			2010	2009	2008	2007	2006	2010	2009	2008	2007	2006		
FOOTWEAR†														
CROX	\$ CROCS INC	DEC	2.8	3.1	2.1	2.8	2.7	0.2	0.3	0.0	0.0	0.1	0.3	0.1
DECK	† DECKERS OUTDOOR CORP	DEC	4.9	5.2	4.3	4.2	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ICON	\$ ICONIX BRAND GROUP INC	DEC	2.3	2.1	1.3	1.3	2.8	31.8	35.7	45.5	51.9	21.1	435.3	219.4
KSWI	\$ K-SWISS INC -CL A	DEC	7.1	10.2	6.3	8.0	7.6	0.2	0.2	0.3	0.0	0.0	0.2	0.0
SHOO	\$ MADDEN STEVEN LTD	DEC	2.9	3.7	2.7	3.5	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NKE	□ NIKE INC -CL B	# MAY	2.9	3.3	3.0	2.7	3.1	2.7	4.4	4.8	5.3	5.5	3.8	7.5
SKX	\$ SKECHERS U S A INC	DEC	3.2	3.4	3.2	3.8	3.5	5.4	2.1	2.4	2.6	19.2	7.8	23.7
TBL	† TIMBERLAND CO -CL A	DEC	2.9	2.9	2.8	2.8	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WWW	\$ WOLVERINE WORLD WIDE	DEC	4.1	3.8	2.5	3.6	4.0	0.1	0.2	0.0	0.0	2.1	0.1	2.9
OTHER COMPANIES WITH SIGNIFICANT APPAREL OPERATIONS														
BEBE	BEBE STORES INC	JUN	2.3	4.7	3.2	7.5	6.6	0.0	0.0	0.0	0.0	0.1	0.0	0.1
COLM	COLUMBIA SPORTSWEAR CO	DEC	3.9	5.1	5.0	5.3	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: Data as originally reported. †S&P 1500 index group. □Company included in the S&P 500. †Company included in the S&P MidCap 400. †Company included in the S&P SmallCap 600. #Of the following calendar year.

Note: Data as originally reported. †S&P 1500 index group. □Company included in the S&P 500. †Company included in the S&P MidCap 400. \$Company included in the S&P SmallCap 600. #Of the following calendar year.

Ticker	Company	Yr. End	Price / Earnings Ratio (High-Low)					Dividend Payout Ratio (%)					Dividend Yield (High-Low, %)				
			2010	2009	2008	2007	2006	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
APPAREL, ACCESSORIES & LUXURY GOODS†																	
CRI	\$ CARTER'S INC	DEC	14 - 9	15 - 7	16 - 9	NM - NM	23 - 14	0	0	0	NM	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
COH	‡ COACH INC	JUN	25 - 14	19 - 6	17 - 6	31 - 17	35 - 19	16	4	0	0	0	1.1 - 0.6	0.7 - 0.2	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
PERY	\$ ELLIS PERRY INTL INC	#	16 - 8	19 - 3	NM - NM	18 - 8	18 - 8	0	0	NM	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
FOSL	† FOSSIL INC	DEC	19 - 8	16 - 5	20 - 6	26 - 12	21 - 14	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
HBI	† HANESBRANDS INC	DEC	14 - 10	49 - 10	28 - 6	26 - 18	7 - 5	0	0	0	0	NA	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	NA - NA
LIZ	\$ LIZ CLAIBORNE INC	DEC	NM - NM	NM - NM	NM - NM	NM - NM	18 - 13	NM	NM	NM	NM	9	0.0 - 0.0	0.0 - 0.0	15.4 - 1.0	1.1 - 0.5	0.7 - 0.5
MFB	\$ MAIDENFORM BRANDS INC	DEC	15 - 7	10 - 5	16 - 6	16 - 8	19 - 7	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
MOV	\$ MOVADO GROUP INC	#	NM - NM	NM - NM	NM - 66	15 - 11	15 - 9	NM	NM	322	14	12	0.0 - 0.0	0.0 - 0.0	4.9 - 1.1	1.3 - 0.9	1.3 - 0.8
OXM	\$ OXFORD INDUSTRIES INC	#	30 - 15	28 - 3	NM - NM	23 - 10	19 - 12	45	40	NM	32	22	2.9 - 1.5	11.5 - 1.4	20.1 - 3.0	3.4 - 1.4	1.9 - 1.2
RL	‡ POLO RALPH LAUREN CP -CL A	#	20 - 12	17 - 7	20 - 8	25 - 15	22 - 12	8	6	5	5	5	0.7 - 0.4	0.9 - 0.4	0.6 - 0.2	0.3 - 0.2	0.4 - 0.2
PVH	† PVH CORP	#	88 - 47	14 - 4	27 - 7	19 - 11	20 - 12	18	5	8	5	6	0.4 - 0.2	1.1 - 0.3	1.2 - 0.3	0.4 - 0.2	0.5 - 0.3
ZOK	\$ QUIKSILVER INC	OCT	NM - NM	NM - NM	21 - 2	NM - NM	21 - 15	NM	NM	0	NM	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
TRLG	\$ TRUE RELIGION APPAREL INC	DEC	19 - 10	15 - 4	17 - 5	20 - 11	25 - 15	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
UA	† UNDER ARMOUR INC	DEC	45 - 18	35 - 13	60 - 20	67 - 38	65 - 31	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
VFC	‡ VF CORP	DEC	17 - 13	19 - 11	15 - 7	17 - 12	17 - 11	46	57	42	40	40	3.5 - 2.7	5.1 - 3.0	6.1 - 2.8	3.3 - 2.3	3.6 - 2.3
WRC	† WARNACO GROUP INC	DEC	18 - 11	21 - 7	49 - 11	24 - 13	18 - 10	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
APPAREL RETAIL‡																	
ANF	‡ ABERCROMBIE & FITCH -CL A	#	34 - 17	47 - 19	26 - 4	16 - 12	17 - 10	41	78	22	13	15	2.3 - 1.2	4.1 - 1.7	5.1 - 0.9	1.0 - 0.8	1.4 - 0.9
ARO	† AERPOSTALE INC	#	13 - 8	13 - 5	17 - 6	18 - 11	17 - 11	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
AEO	† AMERN EAGLE OUTFITTERS INC	#	22 - 12	24 - 10	27 - 8	19 - 11	19 - 9	102	49	46	20	16	8.2 - 4.7	4.8 - 2.0	5.7 - 1.7	1.9 - 1.1	1.9 - 0.8
ANN	† ANN INC	#	22 - 9	NM - NM	NM - NM	26 - 16	22 - 16	0	NM	NM	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
ASNA	† ASCENA RETAIL GROUP INC	JUL	17 - 11	20 - 6	15 - 5	15 - 7	22 - 13	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
BWS	\$ BROWN SHOE CO INC	#	23 - 12	56 - 9	NM - NM	27 - 11	22 - 12	33	127	NM	20	14	2.8 - 1.4	13.7 - 2.3	6.5 - 1.5	1.9 - 0.7	1.2 - 0.6
BKE	\$ BUCKLE INC	#	14 - 8	14 - 7	19 - 6	17 - 13	19 - 11	113	93	119	36	133	14.3 - 8.2	13.6 - 6.7	20.1 - 6.1	2.8 - 2.1	12.1 - 7.0
CATO	\$ CATO CORP -CL A	#	15 - 9	15 - 8	17 - 10	25 - 13	16 - 12	37	43	57	63	36	3.9 - 2.4	5.2 - 2.8	5.8 - 3.4	4.9 - 2.5	3.0 - 2.2
CHS	† CHICOS FAS INC	#	25 - 13	40 - 9	NM - NM	54 - 17	53 - 18	25	0	NM	0	0	1.9 - 1.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
PLCE	\$ CHILDRENS PLACE RETAIL STRS	#	19 - 10	12 - 5	17 - 6	NM - NM	24 - 14	0	0	0	NM	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
CBK	\$ CHRISTOPHER & BANKS CORP	#	NM - NM	NM - NM	NM - NM	44 - 22	35 - 20	NM	NM	NM	50	22	4.8 - 2.1	7.4 - 2.7	9.8 - 1.8	2.2 - 1.1	1.1 - 0.6
CWTR	\$ COLDWATER CREEK INC	#	NM - NM	NM - NM	NM - NM	NM - NM	52 - 31	NM	NM	NM	NM	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
PSS	† COLLECTIVE BRANDS INC	#	15 - 7	18 - 6	NM - NM	56 - 22	18 - 11	0	0	NM	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
FINL	\$ FINISH LINE INC -CL A	#	15 - 8	14 - 4	NM - 21	NM - NM	28 - 14	13	14	129	NM	15	1.6 - 0.9	3.4 - 1.0	6.1 - 0.7	1.2 - 0.2	1.0 - 0.5
FL	† FOOT LOCKER INC	#	18 - 10	43 - 24	NM - NM	77 - 37	18 - 14	56	200	NM	156	25	5.4 - 3.0	8.5 - 4.6	16.4 - 3.3	4.2 - 2.0	1.8 - 1.4
GPS	‡ GAP INC	#	14 - 9	15 - 6	16 - 7	20 - 14	23 - 17	21	21	25	29	34	2.4 - 1.5	3.6 - 1.5	3.6 - 1.6	2.1 - 1.5	2.0 - 1.5
GCO	\$ GENESCO INC	#	18 - 9	22 - 8	5 - 1	NM - 68	15 - 9	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
GES	† GUESS INC	#	16 - 10	17 - 5	20 - 4	28 - 16	24 - 12	85	17	16	14	0	8.8 - 5.2	3.5 - 1.0	3.5 - 0.8	0.9 - 0.5	0.0 - 0.0
HOTT	\$ HOT TOPIC INC	#	NM - NM	51 - 19	21 - 9	39 - 15	50 - 30	NM	0	0	0	0	27.9 - 12.9	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
JOSB	\$ JOS A BANK CLOTHIERS INC	#	15 - 8	13 - 5	13 - 5	17 - 9	20 - 9	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
LTD	‡ LIMITED BRANDS INC	#	14 - 7	14 - 4	34 - 10	16 - 9	19 - 13	185	43	91	31	35	25.1 - 13.0	10.0 - 3.0	8.7 - 2.7	3.6 - 2.0	2.8 - 1.8
MW	\$ MENS WEARHOUSE INC	#	23 - 14	32 - 11	24 - 7	21 - 10	15 - 10	28	33	25	8	7	2.0 - 1.2	3.0 - 1.0	3.4 - 1.0	0.9 - 0.4	0.7 - 0.5
ROST	‡ ROSS STORES INC	#	14 - 9	14 - 8	18 - 9	18 - 13	18 - 13	14	12	16	16	14	1.5 - 1.0	1.6 - 0.9	1.8 - 0.9	1.2 - 0.9	1.1 - 0.8
RUE	\$ RUE21 INC	#	30 - 16	32 - 24	NA - NA	NA - NA	NA - NA	0	0	NA	NA	NA	0.0 - 0.0	0.0 - 0.0	NA - NA	NA - NA	NA - NA
SSI	\$ STAGE STORES INC	#	18 - 10	20 - 7	NM - NM	19 - 11	18 - 13	25	26	NM	16	9	2.5 - 1.4	3.6 - 1.3	5.7 - 1.1	1.4 - 0.8	0.7 - 0.5
SMRT	\$ STEIN MART INC	#	10 - 5	25 - 2	NM - NM	NM - NM	21 - 13	45	0	NM	NM	203	8.5 - 4.5	0.0 - 0.0	0.0 - 0.0	5.8 - 1.5	15.5 - 9.5
TJX	‡ TJX COMPANIES INC	#	14 - 11	14 - 7	17 - 8	19 - 15	17 - 13	17	16	19	20	16	1.6 - 1.2	2.5 - 1.2	2.4 - 1.1	1.3 - 1.0	1.2 - 0.9
URBN	‡ URBAN OUTFITTERS INC	#	25 - 18	27 - 10	32 - 10	30 - 20	42 - 19	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
ZUMZ	\$ ZUMIEZ INC	#	41 - 14	56 - 18	41 - 8	61 - 24	51 - 26	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0

Ticker	Company	Yr. End	Price / Earnings Ratio (High-Low)					Dividend Payout Ratio (%)					Dividend Yield (High-Low, %)				
			2010	2009	2008	2007	2006	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
FOOTWEAR†																	
CROX	\$ CROCS INC	DEC	25 - 7	NM - NM	NM - NM	36 - 10	29 - 12					0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
DECK	† DECKERS OUTDOOR CORP	DEC	21 - 8	12 - 4	28 - 8	32 - 11	25 - 11	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
ICON	\$ ICONIX BRAND GROUP INC	DEC	15 - 9	16 - 6	19 - 4	22 - 16	25 - 12	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
KSWI	\$ K-SWISS INC -CL A	DEC	NM - NM	NM - NM	35 - 17	31 - 14	17 - 10	NM	NM	367	18	9	0.0 - 0.0	0.0 - 0.0	22.2 - 10.6	1.2 - 0.6	0.9 - 0.5
SHOO	\$ MADDEN STEVEN LTD	DEC	17 - 9	16 - 5	19 - 9	22 - 10	20 - 8	0	0	0	0	45	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	5.4 - 2.2
NKE	□ NIKE INC -CL B	# MAY	21 - 14	17 - 10	23 - 14	18 - 12	17 - 13	26	26	31	22	23	1.9 - 1.3	2.7 - 1.6	2.2 - 1.4	1.7 - 1.2	1.8 - 1.3
SKX	\$ SKECHERS U S A INC	DEC	16 - 7	25 - 4	21 - 8	23 - 10	19 - 9	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
TBL	† TIMBERLAND CO -CL A	DEC	14 - 8	18 - 9	27 - 10	49 - 23	23 - 15	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
WWW	\$ WOLVERINE WORLD WIDE	DEC	15 - 11	22 - 10	16 - 8	18 - 13	20 - 13	20	35	22	20	20	1.9 - 1.3	3.3 - 1.6	2.7 - 1.4	1.5 - 1.2	1.5 - 1.0
OTHER COMPANIES WITH SIGNIFICANT APPAREL OPERATIONS																	
BEBE	BEBE STORES INC	JUN	NM - NM	68 - 33	20 - 7	24 - 14	33 - 16	NM	143	29	18	21	2.3 - 1.2	4.4 - 2.1	4.4 - 1.4	1.3 - 0.8	1.3 - 0.6
COLM	COLUMBIA SPORTSWEAR CO	DEC	27 - 17	23 - 12	18 - 9	18 - 11	18 - 13	98	33	23	14	4	5.9 - 3.6	2.7 - 1.4	2.5 - 1.3	1.3 - 0.8	0.3 - 0.2

Note: Data as originally reported. †S&P 1500 index group. [Company included in the S&P 500. †Company included in the S&P MidCap 400. \$Company included in the S&P SmallCap 600. #Of the following calendar year.

Ticker	Company	Yr. End	Earnings per Share (\$)						Tangible Book Value per Share (\$)						Share Price (High-Low, \$)					
			2010	2009	2008	2007	2006	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006			
APPAREL, ACCESSORIES & LUXURY GOODS†																				
CRI	\$ CARTER'S INC	DEC	2.50	2.03	1.37	(1.22)	1.50	4.13	1.93	(0.60)	(1.25)	(2.05)	34.24 - 22.19	29.49 - 13.86	22.39 - 11.94	29.00 - 18.35	35.24 - 21.08			
COH	† COACH INC	JUN	2.36	1.93	2.20	1.72	1.30	4.01	4.41	3.73	4.52	2.57	58.55 - 32.96	37.36 - 11.41	37.64 - 13.19	54.00 - 29.22	44.99 - 25.18			
PERY	\$ ELLIS PERRY INTL INC	# JAN	1.84	1.04	(0.89)	1.92	1.55	2.85	4.85	3.41	5.58	3.69	28.97 - 14.20	19.30 - 3.31	29.27 - 3.40	35.22 - 14.80	28.49 - 15.89			
FOSL	† FOSSIL INC	DEC	3.83	2.09	2.05	1.81	1.15	15.13	13.37	10.99	9.90	7.72	74.34 - 31.31	34.18 - 11.00	40.74 - 11.51	46.25 - 20.98	23.84 - 12.33			
HBI	† HANES BRANDS INC	DEC	2.19	0.54	1.35	1.31	3.39	(0.48)	(1.29)	(3.04)	(1.81)	NA	31.45 - 20.95	26.61 - 5.14	37.73 - 8.54	33.73 - 23.68	24.77 - 17.75			
LIZ	\$ LIZ CLAIBORNE INC	DEC	(2.34)	(3.13)	(8.69)	(3.71)	2.50	(2.67)	(0.15)	2.65	5.18	6.86	9.72 - 3.90	7.88 - 1.61	22.78 - 1.46	46.84 - 19.91	44.50 - 33.40			
MFV	\$ MAIDENFORM BRANDS INC	DEC	1.99	1.62	1.10	1.50	1.21	3.93	2.72	0.67	(0.30)	(1.42)	30.48 - 14.01	17.00 - 7.39	17.59 - 6.25	24.49 - 11.82	22.84 - 8.49			
MOV	\$ MOVADO GROUP INC	# JAN	(0.86)	(2.23)	0.09	2.33	1.95	14.12	14.87	16.19	17.60	14.48	17.09 - 9.50	15.56 - 4.65	26.50 - 5.94	35.40 - 24.65	29.68 - 17.91			
OMX	\$ OXFORD INDUSTRIES INC	# JAN	0.98	0.90	(17.00)	2.22	2.96	(0.21)	(2.01)	(2.70)	(5.07)	(0.31)	29.50 - 15.00	25.62 - 3.14	29.88 - 4.48	50.98 - 21.46	55.20 - 34.34			
RL	POLO RALPH LAUREN CP -CL A	# MAR	5.91	4.85	4.09	4.10	3.84	20.11	17.99	14.31	10.71	11.99	115.45 - 71.12	83.50 - 31.64	82.02 - 31.22	102.58 - 60.41	83.15 - 45.65			
PVH	† PVH CORP	# JAN	0.82	3.14	1.78	3.29	2.71	(32.06)	0.20	(2.32)	(2.07)	(1.28)	72.42 - 38.25	44.85 - 14.09	47.94 - 13.04	62.19 - 36.33	52.90 - 31.24			
ZQK	\$ QUIKSILVER INC	OCT	(0.09)	(0.58)	0.52	(0.80)	0.76	0.84	(0.16)	1.22	1.94	0.95	6.09 - 1.98	3.83 - 0.91	10.67 - 0.80	16.00 - 8.43	16.08 - 11.60			
TRIG	\$ TRUE RELIGION APPAREL INC	DEC	1.78	1.97	1.89	1.21	0.97	9.83	7.84	5.82	4.04	2.76	34.17 - 17.50	28.90 - 7.80	31.82 - 9.83	23.74 - 13.89	24.36 - 14.65			
UA	† UNDER ARMOUR INC	DEC	1.35	0.94	0.79	1.09	0.83	9.64	7.85	6.60	5.63	4.32	60.14 - 23.72	33.31 - 11.94	47.16 - 16.05	73.40 - 41.37	54.00 - 25.85			
VFC	† VF CORP	DEC	5.25	4.18	5.52	5.55	4.83	10.75	7.90	7.54	7.38	12.62	89.74 - 69.24	79.79 - 46.06	84.60 - 38.22	96.20 - 68.15	83.10 - 53.25			
WRC	† WARNACO GROUP INC	DEC	3.26	2.22	1.11	1.85	1.61	10.93	9.38	8.95	8.63	2.44	58.95 - 34.59	45.75 - 15.99	53.89 - 12.22	44.94 - 24.40	28.22 - 15.75			
APPAREL RETAIL†																				
ANF	† ABERCROMBIE & FITCH -CL A	# JAN	1.71	0.90	3.14	5.45	4.79	21.67	20.78	21.06	18.78	15.92	58.50 - 29.88	42.31 - 16.95	82.06 - 13.66	85.77 - 67.72	79.42 - 49.98			
ARO	† AEROPOSTALE INC	# JAN	2.52	2.30	1.49	1.16	0.89	5.12	4.62	3.54	1.97	2.67	32.24 - 21.26	29.90 - 10.78	24.93 - 8.35	21.25 - 12.19	14.67 - 9.36			
AEO	† AMERN EAGLE OUTFITTERS INC	# JAN	0.91	0.82	0.87	1.85	1.74	6.89	7.58	6.81	6.50	6.36	19.64 - 11.35	19.86 - 8.31	23.84 - 6.98	34.80 - 20.17	33.01 - 14.83			
ANN	† ANN INC	# JAN	1.26	(0.32)	(5.82)	1.55	2.01	7.58	7.10	7.27	9.08	11.00	28.24 - 11.59	17.50 - 2.41	29.23 - 3.74	39.92 - 25.10	45.15 - 32.00			
ASNA	† ASCENA RETAIL GROUP INC	JUL	1.85	1.16	1.23	1.63	1.29	7.70	6.47	5.26	4.37	2.70	30.58 - 20.77	23.61 - 7.50	17.93 - 6.16	24.65 - 12.12	28.09 - 16.91			
BWS	\$ BROWN SHOE CO INC	# JAN	0.85	0.22	(3.21)	1.40	1.56	6.46	7.58	7.33	8.16	7.10	19.96 - 9.98	12.33 - 2.04	18.44 - 4.34	37.68 - 15.01	34.00 - 18.52			
BKE	\$ BUCKLE INC	# JAN	2.92	2.79	2.30	1.69	1.29	7.33	7.64	7.35	7.56	6.50	40.35 - 23.00	39.09 - 19.15	44.57 - 13.57	29.14 - 21.46	24.44 - 14.14			
CATO	\$ CATO CORP -CL A	# JAN	1.96	1.55	1.16	1.03	1.64	11.04	9.85	8.91	8.42	8.77	29.93 - 18.53	23.17 - 12.76	19.38 - 11.30	25.66 - 13.18	26.70 - 19.35			
CHS	† CHICOS FAS INC	# JAN	0.65	0.39	(0.11)	0.52	0.94	5.22	4.75	4.33	4.41	4.02	16.57 - 8.22	15.43 - 3.37	10.92 - 1.72	27.94 - 9.00	49.40 - 17.26			
PLCE	\$ CHILDRENS PLACE RETAIL STRS	# JAN	3.09	3.12	2.52	(2.05)	3.03	23.25	21.44	18.59	16.21	17.94	57.63 - 31.41	37.68 - 17.09	43.40 - 14.92	64.18 - 20.56	71.81 - 41.81			
CBK	\$ CHRISTOPHER & BANKS CORP	# FEB	(0.63)	0.00	(0.23)	0.48	0.90	4.61	5.39	5.65	6.20	6.07	11.60 - 5.05	9.02 - 3.25	13.18 - 2.46	21.17 - 10.76	31.25 - 17.57			
CWTR	\$ COLDWATER CREEK INC	# JAN	(0.48)	(0.61)	(0.29)	(0.03)	0.60	2.09	2.56	3.10	3.32	3.41	8.75 - 2.71	9.20 - 1.42	8.31 - 0.91	25.69 - 6.33	31.26 - 18.69			
PSS	† COLLECTIVE BRANDS INC	# JAN	1.77	1.29	(1.08)	0.66	1.90	1.87	0.15	(1.65)	(2.79)	10.48	26.65 - 12.41	23.82 - 7.11	21.00 - 3.85	37.20 - 14.84	33.64 - 20.36			
FINL	\$ FINISH LINE INC -CL A	# FEB	1.28	0.92	0.07	(1.03)	0.68	9.36	8.32	7.83	8.60	9.23	19.48 - 10.57	12.77 - 3.77	12.43 - 1.48	14.75 - 2.16	18.81 - 9.55			
FL	† FOOT LOCKER INC	# JAN	1.08	0.30	(0.52)	0.32	1.59	11.69	10.89	10.76	12.36	12.37	19.96 - 11.10	12.95 - 7.09	18.19 - 3.65	24.78 - 11.78	28.00 - 21.50			
GPS	† GAP INC	# JAN	1.89	1.59	1.35	1.10	0.94	6.64	6.96	6.04	5.76	6.30	26.34 - 16.62	23.36 - 9.56	21.89 - 9.41	22.02 - 15.20	21.39 - 15.91			
GCO	\$ GENESCO INC	# JAN	2.34	1.35	8.21	0.37	3.00	16.93	16.68	14.35	11.21	10.41	41.20 - 21.00	29.69 - 11.31	38.74 - 10.37	54.15 - 24.98	43.72 - 25.50			
GES	† GUESS INC	# JAN	3.14	2.63	2.31	2.02	1.36	11.01	10.51	7.94	6.40	4.18	51.53 - 30.53	45.00 - 12.90	45.21 - 10.26	57.20 - 31.83	32.99 - 16.98			
HOTT	\$ HOT TOPIC INC	# JAN	(0.18)	0.27	0.45	0.36	0.31	4.87	6.25	5.88	5.38	5.01	9.96 - 4.58	13.87 - 5.25	9.40 - 3.90	14.02 - 5.40	15.64 - 9.43			
JOSB	\$ JOS A BANK CLOTHIERS INC	# JAN	3.11	2.59	2.14	1.85	1.60	17.47	14.29	11.73	9.58	7.70	47.36 - 26.33	32.61 - 13.07	27.81 - 10.25	30.77 - 16.39	32.08 - 14.76			
LTD	† LIMITED BRANDS INC	# JAN	2.49	1.39	0.66	1.91	1.71	(1.77)	0.46	(0.41)	(0.55)	1.60	35.48 - 18.34	20.08 - 5.98	22.16 - 6.90	30.03 - 16.50	32.60 - 21.62			
MW	\$ MENS WEARHOUSE INC	# JAN	1.27	0.86	1.14	2.76	2.80	15.99	16.00	14.96	14.38	12.83	29.62 - 17.66	27.67 - 9.38	27.65 - 8.33	56.64 - 26.83	41.75 - 28.76			
ROST	† ROSS STORES INC	# JAN	4.71	3.60	2.36	1.93	1.73	11.26	9.39	7.80	7.22	6.53	66.58 - 42.30	50.50 - 28.08	41.56 - 21.23	35.17 - 24.42	31.80 - 22.12			
RUE	\$ RUE21 INC	# JAN	1.25	0.91	0.52	0.38	NA	4.19	2.78	0.83	0.26	NA	37.63 - 20.28	29.50 - 22.26	NA	NA	NA			
SSI	\$ STAGE STORES INC	# JAN	1.00	0.76	(1.71)	1.27	1.33	13.02	12.13	11.49	10.75	10.57	17.77 - 10.00	14.85 - 5.49	17.99 - 3.52	24.24 - 14.42	23.53 - 16.67			
SMRT	\$ STEIN MART INC	# JAN	1.10	0.55	(1.72)	(0.11)	0.86	5.57	5.03	4.37	6.14	6.59	10.99 - 5.90	13.75 - 1.00	6.71 - 0.99	17.17 - 4.31	18.34 - 11.27			
TJX	† TJX COMPANIES INC	# JAN	3.35	2.90	2.18	1.74	1.71	7.49	6.62	4.74	4.55	4.64	48.50 - 35.75	40.64 - 19.16	37.52 - 17.80	32.46 - 25.74	29.84 - 22.16			
URBN	† URBAN OUTFITTERS INC	# JAN	1.64	1.31	1.20	0.97	0.71	8.59	7.69	6.28	5.14	4.09	40.84 - 29.03	35.84 - 13.63	29.40 - 12.33	29.40 - 19.20	29.89 - 13.65			
ZUMZ	\$ ZUMIEZ INC	# JAN	0.81	0.31	0.59	0.89	0.76	6.93	5.93	5.58	4.88	3.30	33.13 - 11.67	17.43 - 5.70	24.30 - 4.80	53.99 - 21.67	38.85 - 20.00			

Ticker	Company	Yr. End	Earnings per Share (\$)					Tangible Book Value per Share (\$)					Share Price (High-Low, \$)											
			2010	2009	2008	2007	2006	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006							
FOOTWEAR†																								
CROX	\$ GROCS INC	DEC	0.78	(0.49)	(2.24)	2.08	0.87		3.75	2.94	2.97	4.73	2.34		19.54 -	5.80	8.20 -	1.00	39.29 -	0.79	75.21 -	21.42	25.13 -	10.16
DECK	† DECKERS OUTDOOR CORP	DEC	4.10	2.99	1.89	1.73	0.82		16.28	12.11	9.17	6.27	4.13		87.88 -	31.11	34.84 -	12.41	52.34 -	15.42	55.50 -	18.66	20.19 -	9.32
ICON	\$ ICONIX BRAND GROUP INC	DEC	1.37	1.14	1.21	1.12	0.81		(7.68)	(7.22)	(10.17)	(11.19)	(1.71)		20.55 -	12.06	18.30 -	6.73	22.80 -	5.11	24.48 -	18.01	20.39 -	9.51
KWS	\$ K-SWISS INC -CL A	DEC	(1.94)	(0.79)	0.60	1.13	2.23		6.12	8.15	8.66	10.92	9.86		14.53 -	8.63	12.13 -	6.44	20.76 -	9.93	34.47 -	16.27	37.81 -	22.54
SHOO	\$ MADDEN STEVEN LTD	DEC	1.83	1.24	0.68	0.77	0.98		6.57	5.76	4.34	4.18	4.18		31.79 -	17.04	20.21 -	5.96	12.89 -	5.94	16.68 -	7.60	19.87 -	8.28
NKE	□ NIKE INC -CL B	#	4.48	3.93	3.07	3.80	2.96		19.55	18.80	16.54	13.51	12.93		92.49 -	60.89	66.62 -	38.24	70.60 -	42.68	67.93 -	47.46	50.60 -	37.76
SKX	\$ SKECHERS U S A INC	DEC	2.87	1.18	1.20	1.67	1.73		18.69	15.82	14.36	13.67	10.71		44.90 -	19.00	30.00 -	5.20	25.20 -	9.25	38.03 -	17.36	33.58 -	14.80
TBL	† TIMBERLAND CO -CL A	DEC	1.84	1.01	0.73	0.65	1.62		10.65	9.27	8.42	7.95	7.65		26.66 -	15.07	18.60 -	8.75	19.41 -	7.19	31.95 -	15.05	37.61 -	24.80
WWW	\$ WOLVERINE WORLD WIDE	DEC	2.15	1.26	1.96	1.77	1.52		9.92	8.52	7.85	8.33	8.19		33.00 -	23.51	28.31 -	13.15	31.21 -	16.24	31.08 -	23.38	30.20 -	20.26
OTHER COMPANIES WITH SIGNIFICANT APPAREL OPERATIONS																								
BEBE	BEBE STORES INC	JUN	(0.06)	0.14	0.70	0.83	0.81		4.29	5.30	5.46	5.39	4.45		10.05 -	5.36	9.50 -	4.59	13.83 -	4.57	19.98 -	11.71	26.86 -	13.05
COLM	COLUMBIA SPORTSWEAR CO	DEC	2.28	1.98	2.75	4.00	3.39		28.12	28.38	26.70	25.26	21.26		62.25 -	38.26	46.35 -	24.63	49.49 -	26.07	70.93 -	43.48	62.55 -	42.85

Note: †Data as originally reported. ‡S&P 1500 index group. □Company included in the S&P 500. †Company included in the S&P MidCap 400. \$Company included in the S&P SmallCap 600. #Of the following calendar year.
Note: This amount includes intangibles that cannot be identified.

Note: Data as originally reported. †S&P 1500 index group. [Company] included in the S&P 500. †Company included in the S&P MidCap 400. †Company included in the S&P SmallCap 600. †Of the following calendar year.

J-This amount includes intangibles that cannot be identified.

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