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Preparing for Free Trade: APPAREL RETAILING IN THE UNITED STATES

Canada

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APPAREL RETAILING IN THE UNITED STATES

Prepared for Industry, Science and Technology Canada

by

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APPAREL RETAILING IN THE UNITED STATES

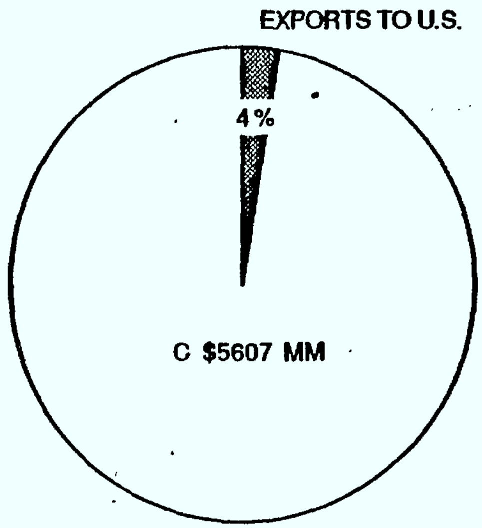
CONTENTS

I. INTRODUCTION

INTRODUCTION

Tariffs between Canada and the U.S. have just begun to fall under the terms of the Free Trade Agreement. However, the U.S. market remains largely unknown to the vast majority of Canadian firms.

- Approximately 4% of total 1987 Canadian apparel production was exported to the U.S.



TOTAL CANADIAN APPAREL SHIPMENTS*

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* Excludes furs

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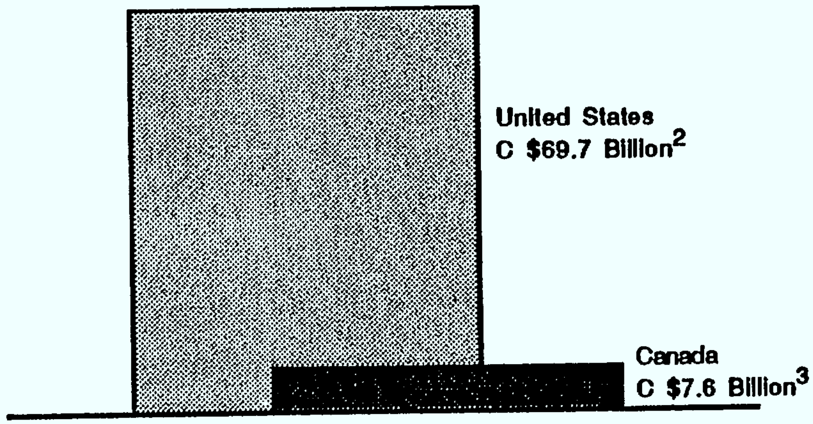
INTRODUCTION (cont.)

This situation will undoubtedly change as 1998 nears and all tariffs on clothing are eliminated between the two countries. For Canadian apparel firms, this represents an unprecedented opportunity: a nine-fold increase in its immediate, duty-free market.

APPARENT CONSUMPTION OF APPAREL[1]



1 1987 Wholesale dollars
2 As of June, 1987 conversion rate of $1.3332
3 Excludes furs

INTRODUCTION (cont.)

While the U.S. market is large, it contains many segments. Each segment is defined by unique product requirements, brand characteristics, retail channels and pricing demands - ultimately reflecting the diverse U.S. consumer population. The successful Canadian apparel exporter will examine these segments and choose those that best fit his strengths.

The purpose of this report is to introduce Canadian apparel manufacturers to U.S. apparel retailing as a first step towards developing strategies to enter this market.

The two major parts of the report are designed to:

- Provide an overview of the apparel retail environment.
  - Define channels of distribution and characteristics.
  - Explain forces of change.
- Examine consumer purchase trends for specific product categories among major retail channels of distribution.

Unless otherwise mentioned, all values in the remainder of this report are in U.S. dollars.

II. RETAIL CHANNEL REVIEW

A. Retail Channel Definitions

RETAIL CHANNEL DEFINITIONS

While considerable variation exists within each channel by product offering and price point there are five general types of retailers.

- Specialty Stores
- Department Stores
- Chain Stores
- Discount Stores
- Mail Order

SPECIALTY STORES

Specialty apparel stores offer a relatively limited number of apparel and accessory categories but typically have more depth in their merchandise selections. Other distinctions include end-use of merchandise and age/size groups.

- Examples of the variety of different merchandising approaches available are:
  - End use
    - Career (Ann Taylor)
    - Casual Unisex (The Gap)
    - Safari (Banana Republic)
    - Sports (golf & tennis shops)
  - Age/Size
    - Children (Kids R Us)
    - Juniors (Deb Shop)
    - Large Size (Forgotten Woman)
  - Merchandise Focused
    - Jeanswear (County Seat)
    - Lingerie (Victoria's Secret)

SPECIALTY STORES (cont.)

- Specialty stores may be independent, consisting of one-to-several stores, or a chain with up to 800+ locations.
  - Independents are an extremely diverse group. They reflect the many interests of the U.S. market, including stores that sell only military uniforms, western wear, bathing suits, etc.
  - Specialty chains are classified as either "super specialists" or specialty "department" stores
    - "Super specialists" concentrate on a narrow range of merchandise e.g. The Limited.
    - Specialty "department" stores resemble Department stores except they do not carry hard goods such as appliances, furniture, etc. and typically have larger assortments of private label merchandise. (e.g.. Saks Fifth Avenue, Lord & Taylor)

DEPARTMENT STORES

Department stores typically carry full assortments of both hard and soft goods arranged by merchandise category.

- There exist three types of Department stores:
  - "National"/Regional which typically have:
    - A large number of "doors" (store units) per company: 15 - 50+
    - Emphasis on apparel, accessories but include "home" departments
    - Established private label programs as well as major brands and designers
    - An average store size of 80 - 150,000 sq. ft.
    - E.g., Bloomingdale's, Macy's, Marshall Field's
  - Independent are generally:
    - Heavily branded
    - Full line: both hard and soft goods
    - Have typically less than 15 "doors" per company
    - An average store size of 50 - 100,000 sq. ft.
    - E.g., Hornes, Porteous Mitchell & Braun
  - Promotional
    - Emphasize a "veneer" of brands, with an extensive private label base
    - Have a strong value focus
    - Include apparel, accessories, housewares, soft home
    - The number of "doors" range from 10 - 200+
    - An average store size of 60 - 100,000 sq. ft.
    - E.g., Mervyn's, Kohl's, Uptons

CHAIN STORES

Chain stores typically are full-line department stores that have traditionally appealed to the mass "middle America" market, have been organized as having separate retail store and catalog divisions, and have developed strong private label programs.

- There are three U.S. Chain, or "catalog chain stores": Sears, J.C. Penney, Montgomery Ward
- Originally, these three companies were virtually identical
  - Began with strong catalog operation
  - Gradual retail expansion until ...
  - Retail represented majority of sales.
- In 1980's, declining profits and stagnant sales forced restructuring:
  - Montgomery Ward repositioned as a group of "specialty stores" under one roof and discontinued its catalog. (1986).
  - J.C. Penney dropped hard lines and repositioned as a Department store. (1984)
  - Sears has recently instituted "every day low pricing" and is offering more national brands in an attempt to compete with discounters. (1989)

CHAIN STORES

1960's

- SIMILAR STRATEGIES

SEARS = J.C. PENNEY = MONTGOMERY WARD

- Soft and hard lines
- Roots in catalog operations
- Predominately private label
- "Good, Better, Best" pricing

1980's

- DIFFERENT STRATEGIES

SEARS

- "Everyday Low-Price" discounter
- Less reliance on private label/ more national brands

J.C. PENNEY

- Repositioned as Department Store
  - Emphasis on apparel & accessories
  - Dropped hard lines
  - Targeting more affluent customer

MONTGOMERY WARD

- "Value Driven Specialty Store"
- Apparel still very important; seeking major national brands
- Four product catagories
  - Automotive
  - Electronics
  - Home
  - Apparel

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DISCOUNT STORES

Discount stores are general merchandise retailers that attempt to offer the consumer lower prices than Chains or Department stores through lower operating costs and/or advantageous merchandise purchasing.

- Their strategy is based on "Everyday Low Price"
- There are four types of Discount stores that offer apparel:
  - Traditional Discount department stores
    - Developed as a low-cost alternative to Department stores.
    - Stores are typically organized similar to a supermarket, with strict departmentalization, central checkout and employ shopping carts.
    - Good mix of hard and soft lines, with a growing emphasis on apparel in recent years
    - Examples: Wal-Mart, K-Mart
  - Variety Stores
    - Offer generally disposable and consumable items items: "five & dime". Soft goods volume is generally low.
    - Examples: Woolworth, Ben Franklin

DISCOUNT STORES (cont.)

– Off-Price

- Offer nationally advertised apparel brands and designer labels at discount prices. Since they are stocked with excess inventory from manufacturers and close-outs from retailers, off-price stores do not attempt to maintain full assortments.
- Examples: Marshalls, T.J. Maxx.

- Hypermarkets

- Combination food and general merchandise, discount retailers operating in huge 300,000+ square feet stores.
- Examples: Auchan, Biggs.

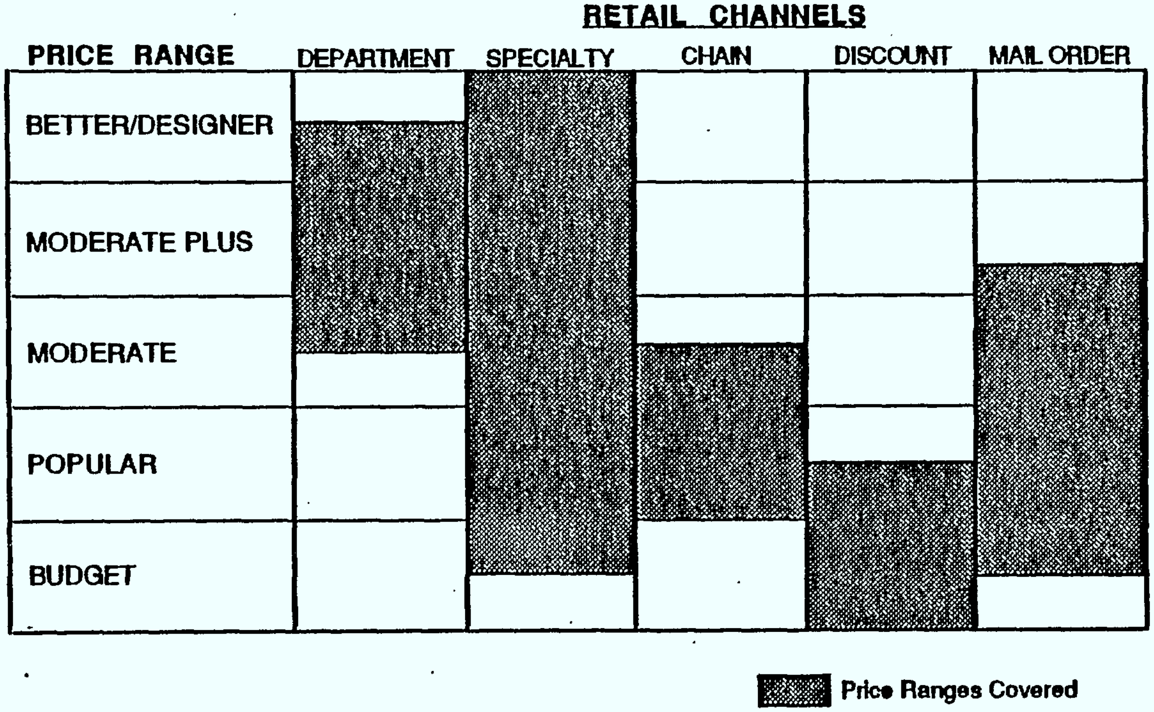
MAIL ORDER

The rapid growth of the mail order industry in recent years has been propelled by the development of "specialty catalogs" versus large, 1,000+ page "general" catalogs, and the use sophisticated consumer mailing lists.

- Mail Order companies are direct marketers in the purest sense:
  - They are fulfillment centers to service orders from their catalogs.
- Examples: Land's End; L.L. Bean; Talbots.
- They are typically very specialized by merchandise "end use".
  - Few firms carry both apparel and hard goods, unless tied to outdoors product line. J.C. Penney, Sears and Spiegel are major exceptions.

PRICE RANGE DISTRIBUTION BY RETAIL CHANNEL

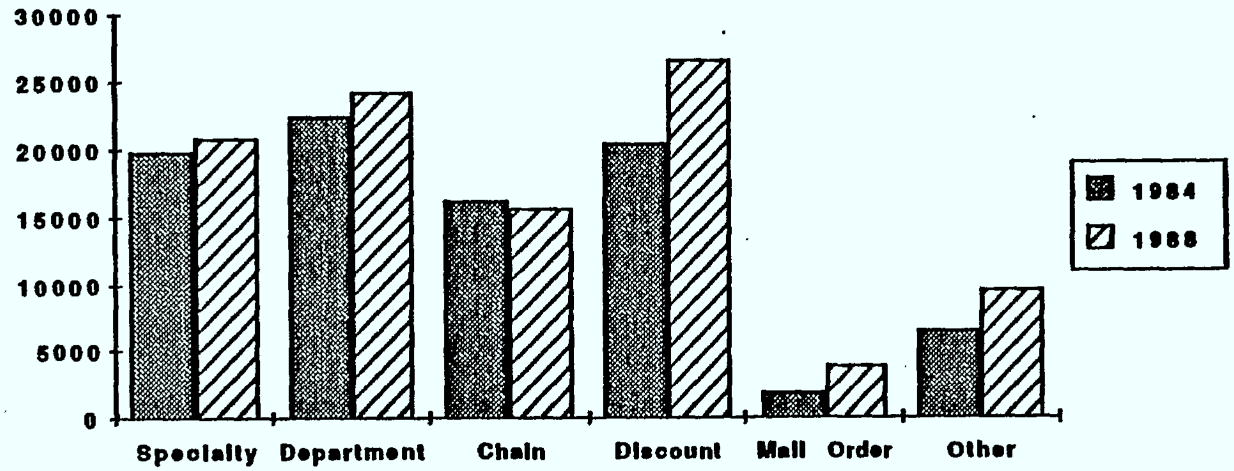
The various retail channels tend to concentrate on different price ranges, from the high-end "better/designer" price range at Department and Specialty stores to low-end "budget" prices at Discounters.



B. Market Overview

The Discount store segment has grown to become the largest retail channel.

TOTAL U.S. APPAREL SALES
BY RETAIL CHANNEL
($ Million)



Source: KSA/NPD Purchase Panel

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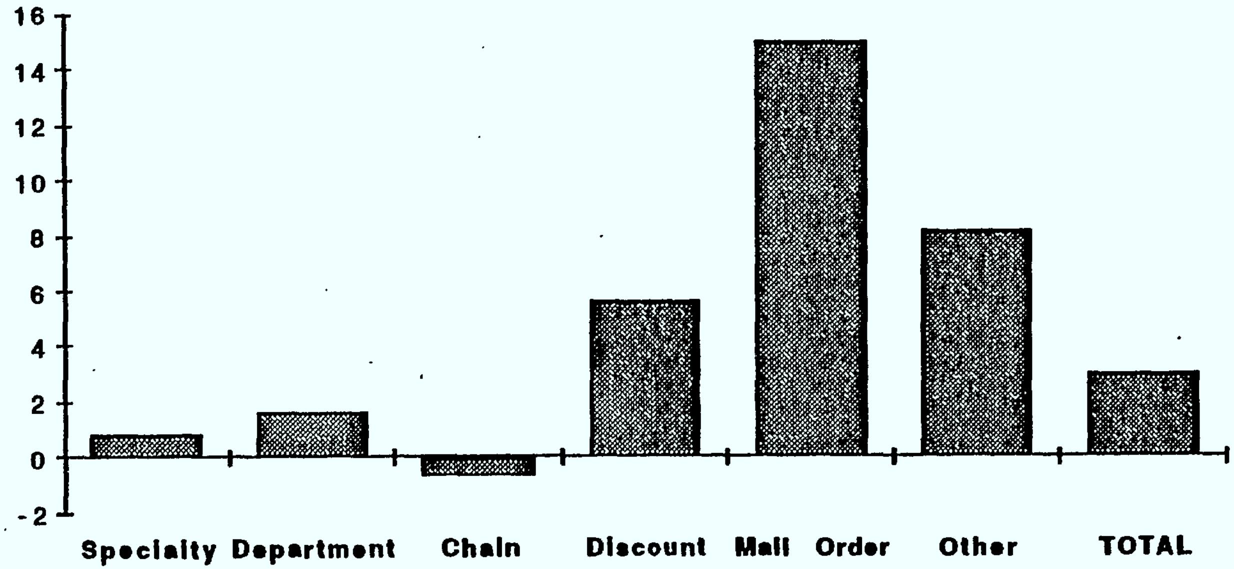
In recent years, the Mail Order segment has experienced the most rapid annual growth rate. Chain stores, positioned in the middle market, have experienced negative growth since they are being "squeezed" by Discounters from below and Department/Specialty stores from above.

TOTAL U.S. APPAREL PURCHASES
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
BY RETAIL CHANNEL



Source: KSA/NPD Purchase Panel

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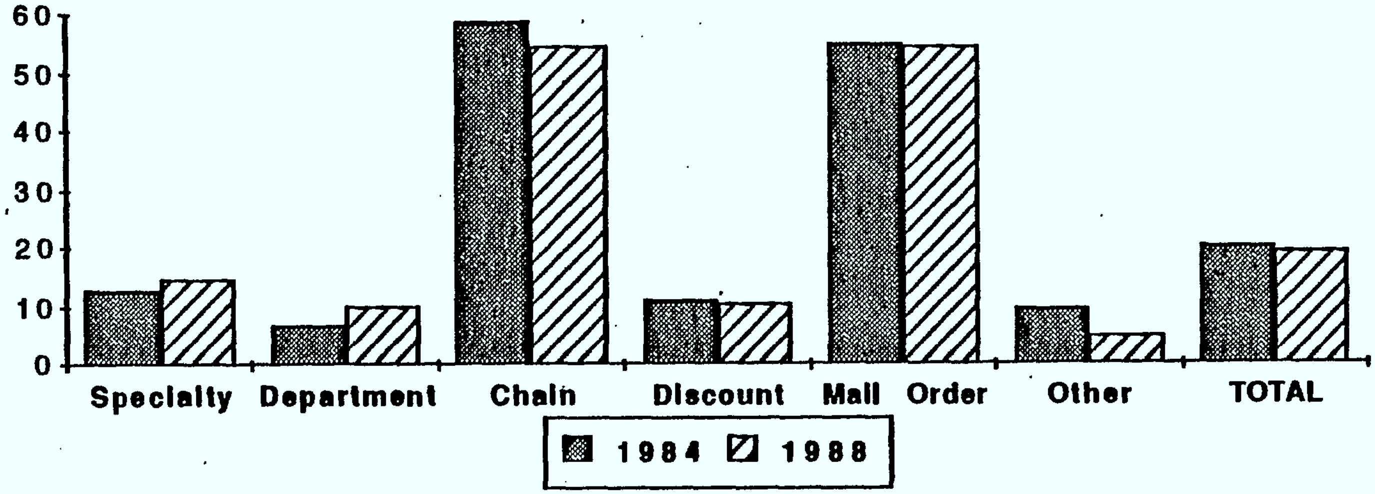
Overall, private label, as a percent of total apparel purchases, declined slightly from 1984 to 1988. Within channels, Specialty and Department stores purchases increased; Chain stores recorded proportionately lower private label volume reflecting their shift to more branded merchandise.

PRIVATE LABEL SHARE OF TOTAL APPAREL PURCHASES BY RETAIL CHANNEL



Source: KSA/NPD Purchase Panel

C. Current Issues Affecting U.S. Retailing

CURRENT ISSUES AFFECTING U.S. APPAREL RETAILING

As the previous sections have illustrated, American apparel retailing is large, diverse and dynamic. It is constantly being influenced by a variety of factors including: demographic and social shifts, economic forces, new marketing concepts and technological developments. The impact of these factors on the apparel retailing industry has been summarized into the following key issues.

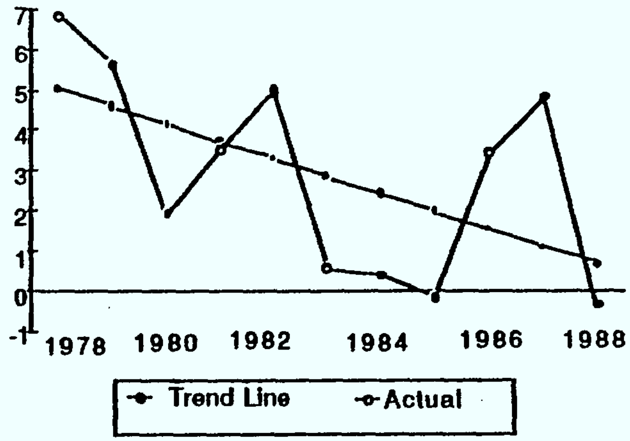
- Maturing of the apparel retailing industry
- Restructing of the apparel retailing industry
- Growth of Specialty apparel stores
- Time poverty of consumers
- Maturing of apparel direct marketing
- Difficult relationships between manufacturers and retailers
- Retailers competing with manufacturers

MATURING OF APPAREL RETAILING

Slowing growth in apparel purchases illustrates the maturing of the apparel retailing industry.

- The general trend in real apparel sales over the past decade has been a decline in the rate of increase. Given the cyclical nature of the fashion-based apparel industry, year-to-year fluctuations are not uncommon. However, over the course of the 1980's the slowing in growth is apparent.

Real Apparel Purchases
Percent Increase Vs. Prior Year

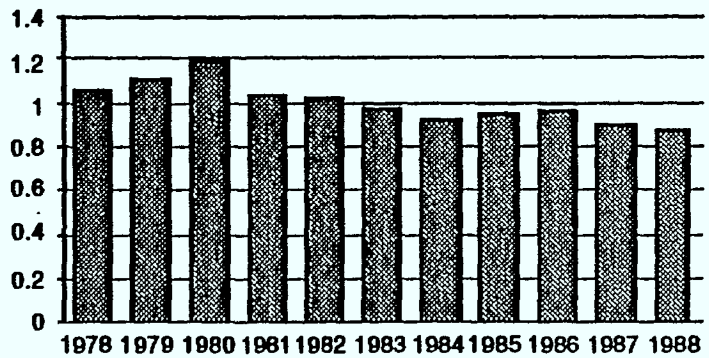


Source: U.S. Department of Commerce; KSA/NPD Purchase Panel

This maturing traces to several fundamental shifts in demographic and economic activity.

1. An industry as basic and pervasive as apparel ultimately relies on increases in population to drive sales. Since 1980 the annual growth rate of the U.S. population has been steadily falling, dropping below 1% in 1982.

U.S. Population Growth
Percent Increase versus Prior Year



Source: U.S. Bureau of the Census

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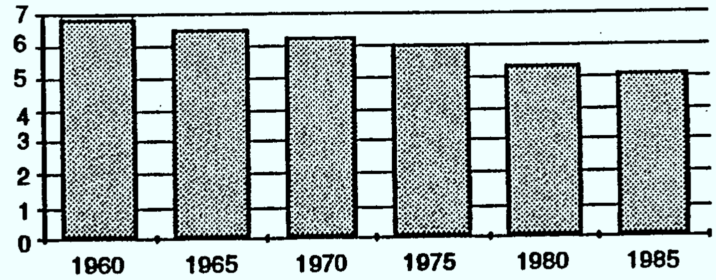
MATURING OF APPAREL RETAILING (cont.)

2. Another explanation for this maturing is the smaller share of consumer spending devoted to clothing and accessories. In 1985, clothing and accessories accounted for just over 5% of consumer expenditures, versus nearly 7% in 1960.

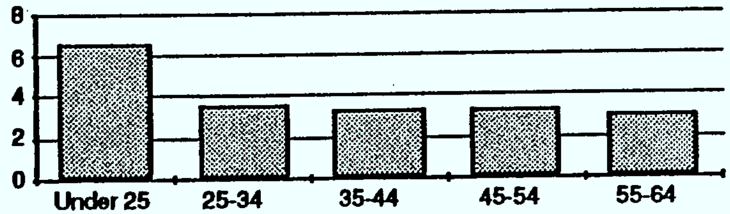
- This is primarily a function of:
  - consumers' spending a smaller percentage of income on apparel as they age, and:
  - the aging of the U.S. population.

Clothing and Accessories Expenditures as a Percent of Personal Consumption



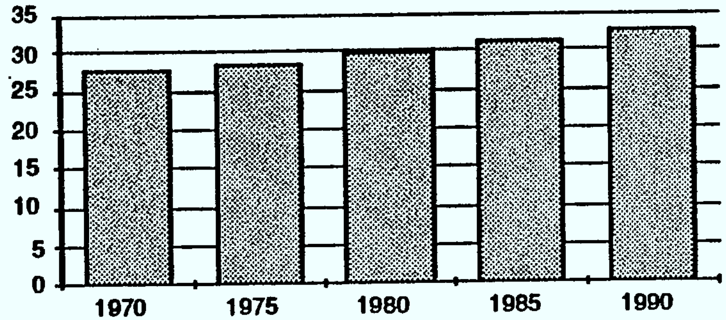
Source: Bureau of Economic Analysis

Apparel & Services Expenditures as a Percent of Gross Income by Age Group



Source: Bureau of Economic Analysis

Median Age



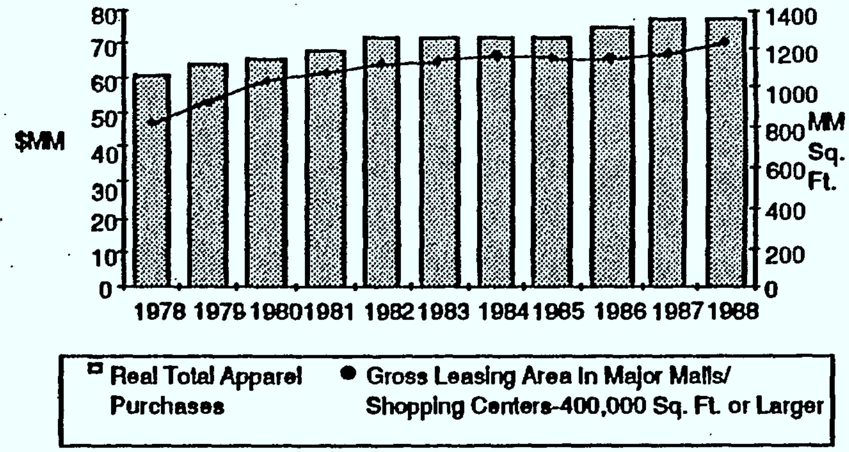
Source: Bureau of the Census

MATURING OF APPAREL RETAILING (cont.)

3. A third factor is the slowing in shopping mall development.

   – In the 1970's, rapid mall construction helped fuel apparel sales. As most markets became saturated with shopping space in the 1980's, development of major malls (where the majority of apparel shopping takes place) flattened out.

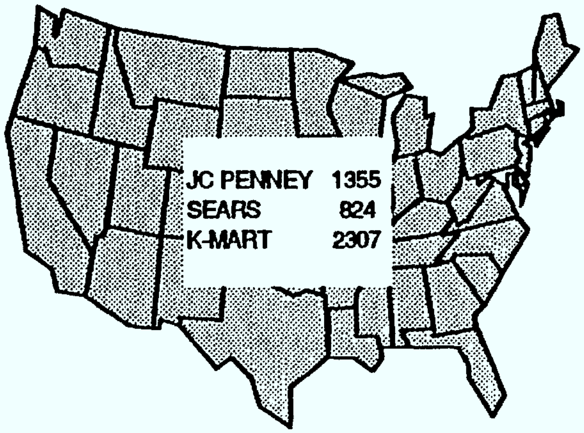
Real Apparel Purchases Versus Major Mall Development



Source: U.S. Department of Commerce; KSA/NPD Purchase Panel; KSA Estimate, Shopping Center World.

- This saturation phenomenon has also been realized by major national retailers who in the past achieved growth by opening stores. Now, stores such as JC Penney, Sears and K-Mart must increasingly rely on existing stores for growth.

1988
Number of Stores Nationally



Source: Company Annual Reports

RESTRUCTURING OF APPAREL RETAILING

Events of the past few years have proven that retailing is not immune to the market forces which precipitated the U.S. mergers and acquisitions wave of the 1980's. Reasons for restructuring in retailing include:

- Many major retailers under-valued by Wall Street as a result of:
  - Poor performance by management.
  - Valuable real estate holdings/bases.
- Break-up value of conglomerates greater than their collective divisions.
  - Some retail divisions have very valuable "brand names" (e.g. Bloomingdales).
- Ready supply of foreign as well as domestic buyout funds.

Given the magnitude of recent takeovers, even Sears Roebuck is considered a possible target.

Two types of companies are particularly interested in acquisitions:

- Shopping center developers.
- Other retailers seeking diversification from their mature market segments.

RESTRUCTURING OF APPAREL RETAILING (cont.)

Shopping center developers' motivations for acquiring Department stores

- Shopping center developers are concerned that weakened Department stores would hamper future mall development.
- Department stores are needed for the next wave of malls - "mega-malls" - (as well as regional malls) which are:
  - Over 1 million square feet.
  - Feature 5+ anchor stores to draw shoppers from larger trading areas
  - Example: Cincinnati's Forest Fair, Minneapolis' Mall of America (under construction).

Real estate developers' notable acquisitions have been:

• Campeau (Canada):	Allied and Federated
• Hooker Group (Australia):	Bonwit Teller, B. Altman, Parisian, Sakowitz
• Taubman (U.S.):	John Wanamaker, Woodward & Lothrop
• Crown American (U.S.):	Hess's, Millers, Snyders, Rice Nachman

RESTRUCTURING OF APPAREL RETAILING (cont.)

Retailers' acquisitions are motivated by:

- Distribution
  - Expand their presence in current markets.
  - Enter new markets.
    - Including international companies seeking to establish a U.S. base.
- Economies of Scale
  - Store operations.
  - Greater leverage over first level/brand name manufacturers.
  - The development of private label programs.

Examples

- Domestic
  - Dillard's
  - Zayre and Ames
  - May Company
  - Macy's
  - Hartmarx
- International
  - Mark & Spencer (UK), Brooks Brothers
  - JUSCO (Japan), Talbots

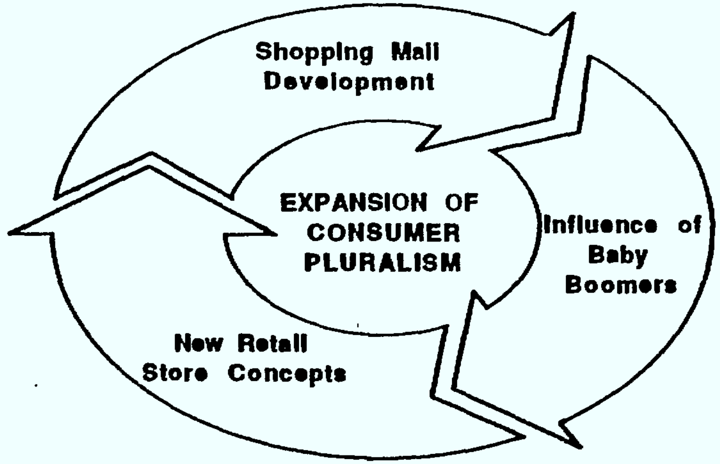
TRENDS IN SPECIALTY APPAREL STORES

The expansion of consumer pluralism - or the fragmentation of consumer demand into many niches - has greatly benefitted Specialty store chains. This pluralization of consumer fashion tastes is the result of an ongoing cycle of three interactive elements:

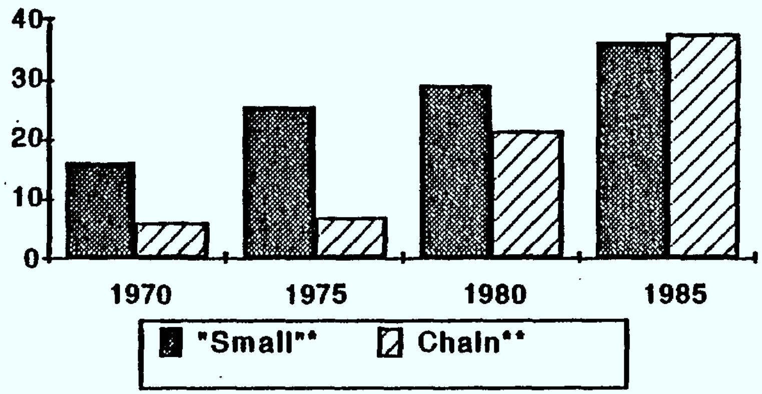
- Post WWII "Baby Boom" (1947-1962) population segment wields its large purchasing power and develops diverse apparel tastes.
- Major growth in shopping mall development provides a vehicle for Specialty store growth.
- Various Specialty apparel concepts emerge to lead or react to consumer trends.

Specialty chains have been particularly adept at tapping the potential of consumer pluralism. By addressing specific niches with a focused concept and expanding into new malls, Specialty chains were able to increase sales an average of 18% per year from 1975 to 1985.

Importantly, there still appears to be room for growth for Specialty chains because they often do not compete directly with each other.



Chain vs. "Small" Specialty Stores Apparel & Accessory Sales ($ Million)



*10 or less stores per company
**more than 10 stores per company

Source: Bureau of the Census

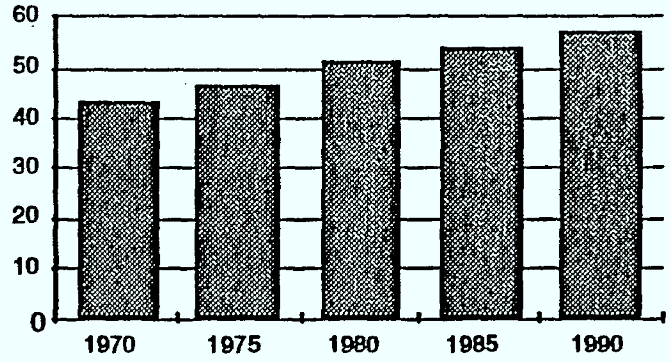
IMPACT OF CONSUMER "TIME POVERTY"

One of the fundamental changes to occur in American society during the past two decades has been the large number of women who entered the work force. In 1980, 57% of all U.S. women are projected to be working versus just 43% in 1970.

While this has lead to greater consumer affluence, it has created "time poverty" for consumers as well. Thus, saving time has become a primary concern for consumers and an opportunity for retailers. For instance:

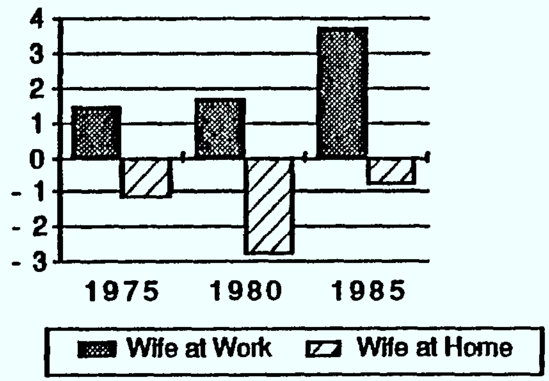
- Specialty stores have an advantage of greater mall visibility/accessibility and in-depth apparel assortments than Department stores.
- High service levels at point-of-sale can be a powerful competitive advantage.
  - e.g., Nordstrom's appeal and rapid growth.
- Mail Order provides an efficient and time saving shopping alternative to retailers.
- Apparel brands that have established a reputation for a clear fashion view point and consistent quality also benefit from consumer time poverty because they make the selection process easier (e.g., Polo, Liz Claiborne).

Percent of Women Population Working



Source: Bureau of the Census

Median Family Real Income*
Percent Change vs. Prior Period



*Male head of house Source: Bureau of the Census

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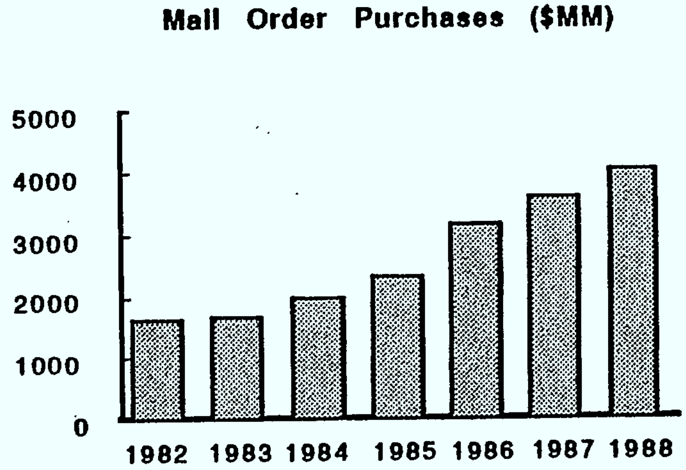
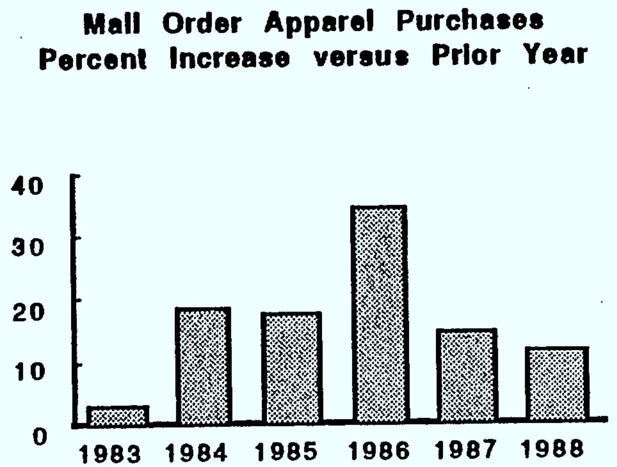
MATURING OF APPAREL DIRECT MARKETING

A proliferation of catalogs in the mid 1980's helped fuel Mail Order growth.



- Although Mail Order remains a growth segment, its rate of increase has slowed recently.
- In response, several companies that began as Mail Order firms have expanded into retailing.
  - For example, Talbots, Eddie Bauer, Royal Silk, J. Crew.



Source: KSA/NPD Purchase Panel

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DIFFICULT RELATIONSHIPS BETWEEN MANUFACTURERS AND RETAILERS

- In general, there is a lack of strong, cooperative working relationships between retailers and apparel manufacturers.
  - Department and Specialty stores are under pressure to improve financial performance. Consequently, cost concessions from manufacturers are regularly sought.
- Retailers are generally margin-driven; seeking to protect margins through:
  - Co-op advertising allowances
  - End of season rebates
  - Discounts and off-price merchandise
  - Rights of cancellation
- However, productivity improvements needed by retailers to boost earnings (and sales) should help to improve relationships.
  - Advent of "Quick Response" systems employing UPC barcoding will require greater cooperation between manufacturer and retailer.

RETAILERS COMPETING WITH MANUFACTURERS

- Competition with manufacturers has been created by retailers' private label programs which are designed to:
  - Protect profit margins.
  - Create proprietary merchandise; Department store and Specialty store retailers have been actively developing private label programs to build shopper loyalty.
  - Extend greater control over promotional pricing.
  - Offer "value" to consumers vs. higher-priced brand names and designers.

- In response, the strongest apparel vendors have opened retail stores for better control of merchandising and exposure than Department stores have been able to provide. Examples are:
  - Polo/Ralph Lauren
  - Liz Claiborne

III. APPAREL PURCHASES BY PRODUCT CATEGORY

APPAREL PURCHASES BY PRODUCT CATEGORY

The data in the following section, depicting consumer purchases of Men's/Boys' and Women's/Girls' apparel categories, is derived from the Kurt Salmon Associates/NPD Purchase Panel. The KSA/NPD Purchase Panel has operated since 1977 and consists of 19,500 households. The Panel is constructed to reflect the behavior of the U.S. consuming public.

The Panel is balanced geographically, as well as by such demographic traits as age, sex, income, household size, marital status, race, and education. By closely monitoring the Panel's demographic profile, and continually adjusting it to match the United States' changing population characteristics, accurate projections about consumer purchases on a national level can be obtained.

Panel members receive monthly a form on which they record all details of their purchases of apparel and home textile products. The information reported includes price, style, fabric, fiber content, size, color, brand name, origin, care labeling, outlet where purchased, and end user. For the purposes of this analysis, only a limited portion of the database has been utilized.

A. Men's and Boys'

MEN'S AND BOYS'

- Blazers and Sportcoats
- Dress Shirts
- Infantswear
- Outercoats and Jackets
- Pants and Slacks
- Suits and Tailored Separates
- Sweaters
- Swimwear

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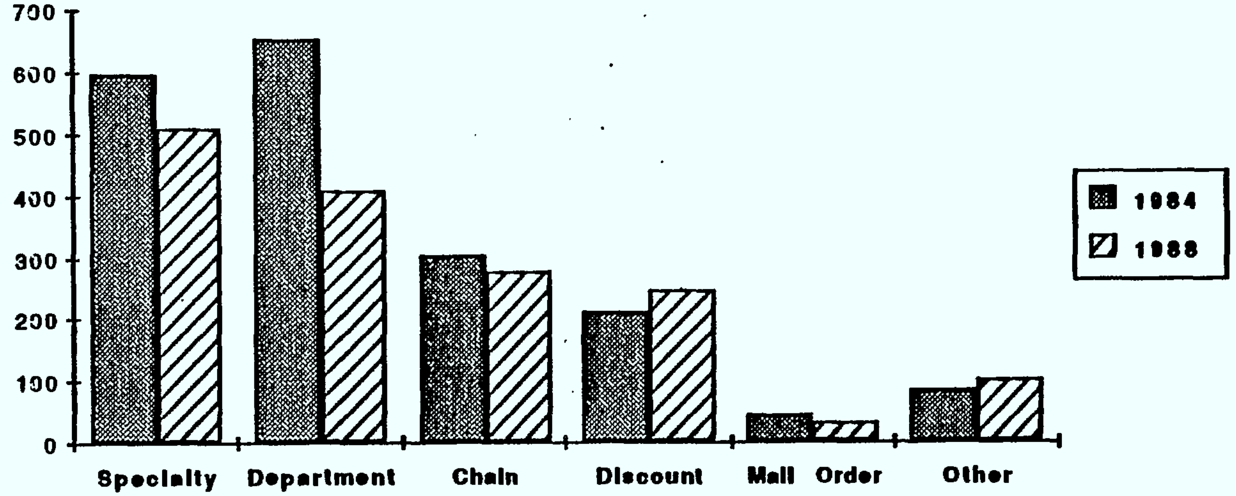
The decline in consumer purchases of Blazers and Sportcoats has been greatest in the Department store and Specialty store distribution channels.

BLAZERS & SPORTCOATS - MEN'S & BOYS'
TOTAL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

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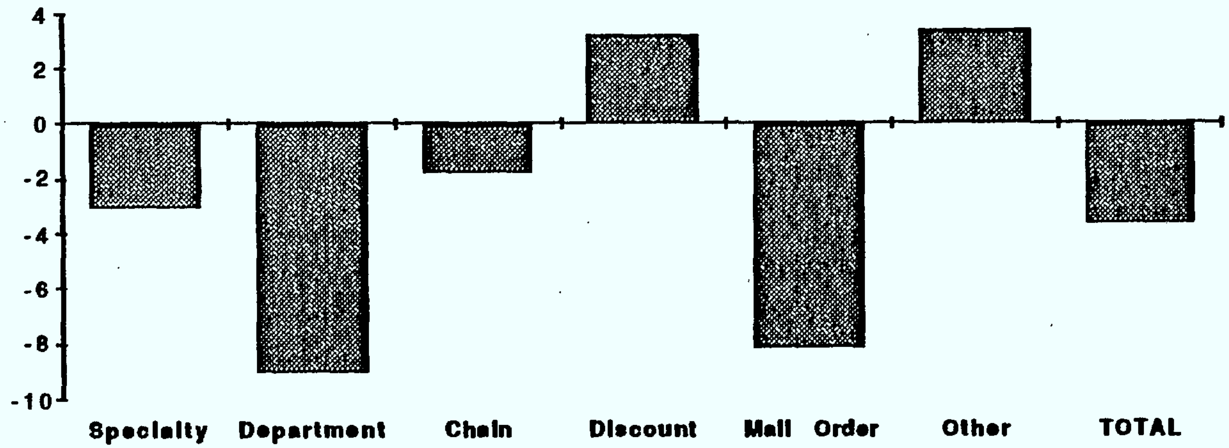
Overall consumer purchases of Blazers and Sportcoats have been declining in the U.S. Only sales in the Discount and "Other" distribution channels have grown.

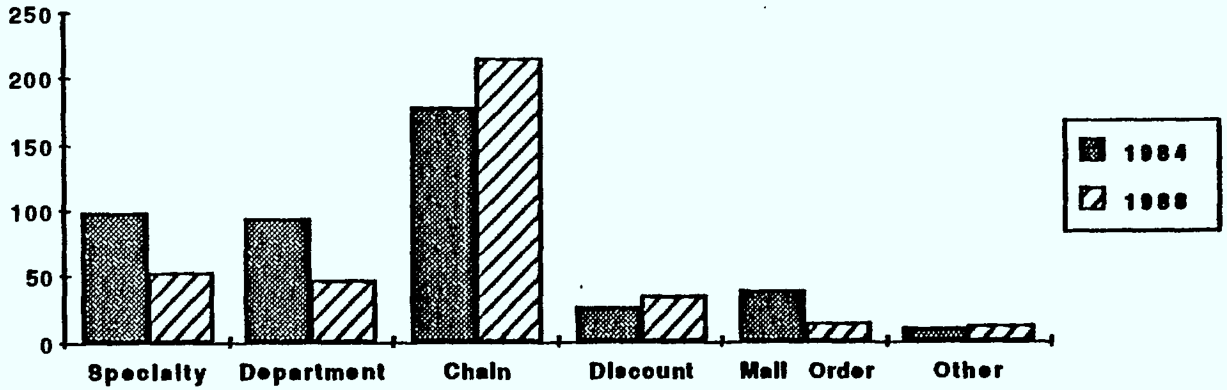
BLAZERS & SPORTCOATS - MEN'S & BOYS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES



Source: KSA/NPD Purchase Panel

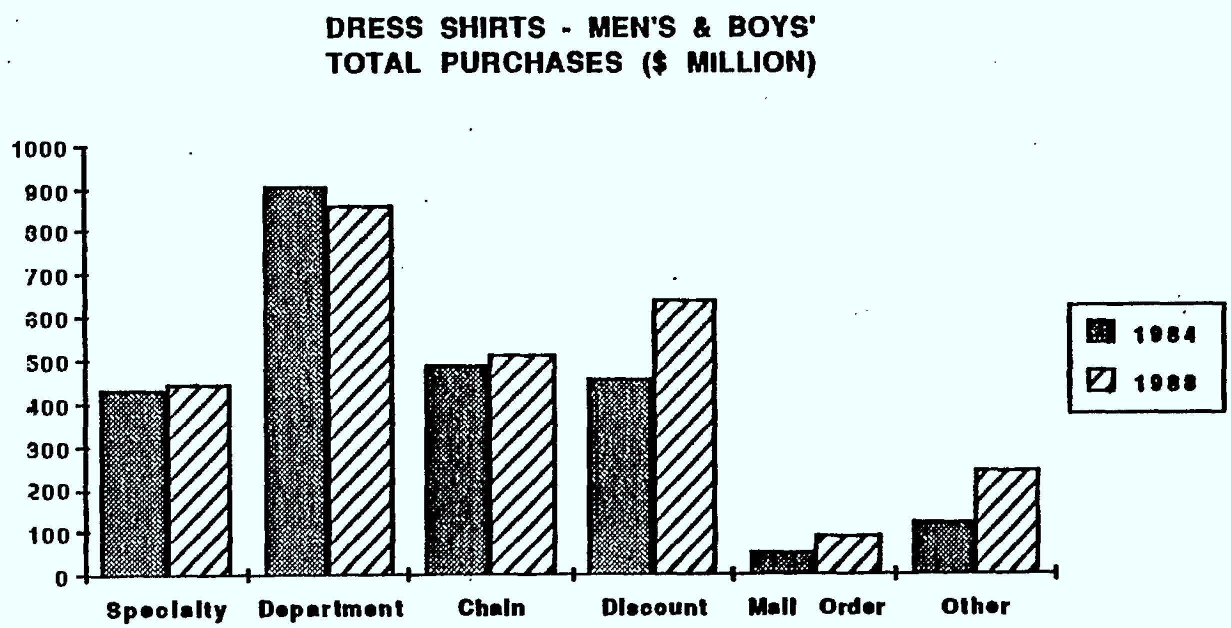
Private label purchases of Blazers and Sportcoats mirrowed the total market with most channels registering declines. Notable exceptions were Chains and Discounters which increased slightly.

BLAZERS & SPORTCOATS - MEN'S & BOYS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

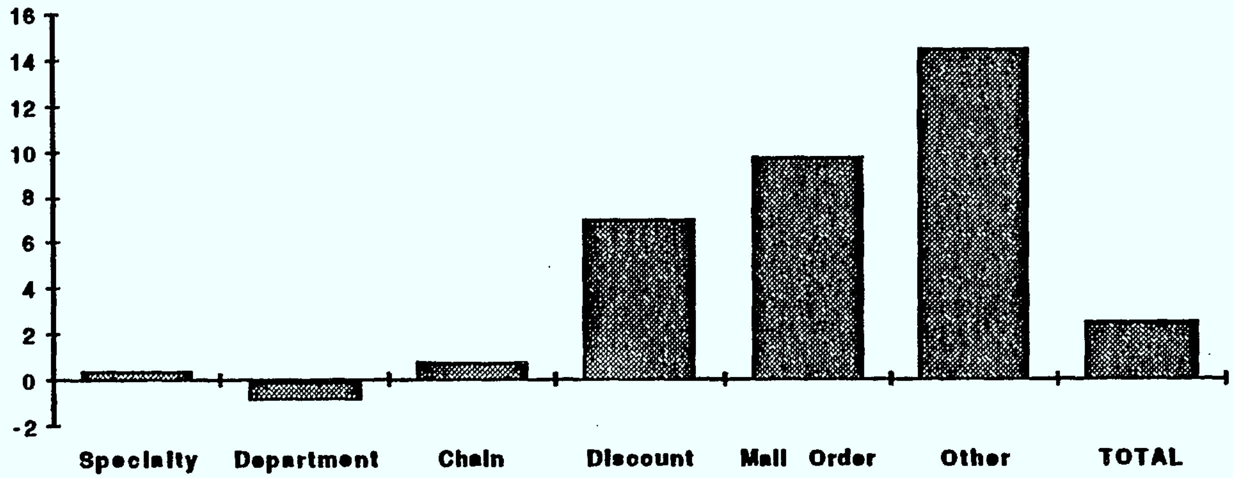
Consumer purchases of Dress Shirts is greatest in Department stores but has declined since 1984.



Source: KSA/NPD Purchase Panel

Overall, purchases of Dress Shirts have grown just over 2% annually between 1984 to 1988. Growth has been most dramatic among Discount, Mail Order and "Other" distribution channels.

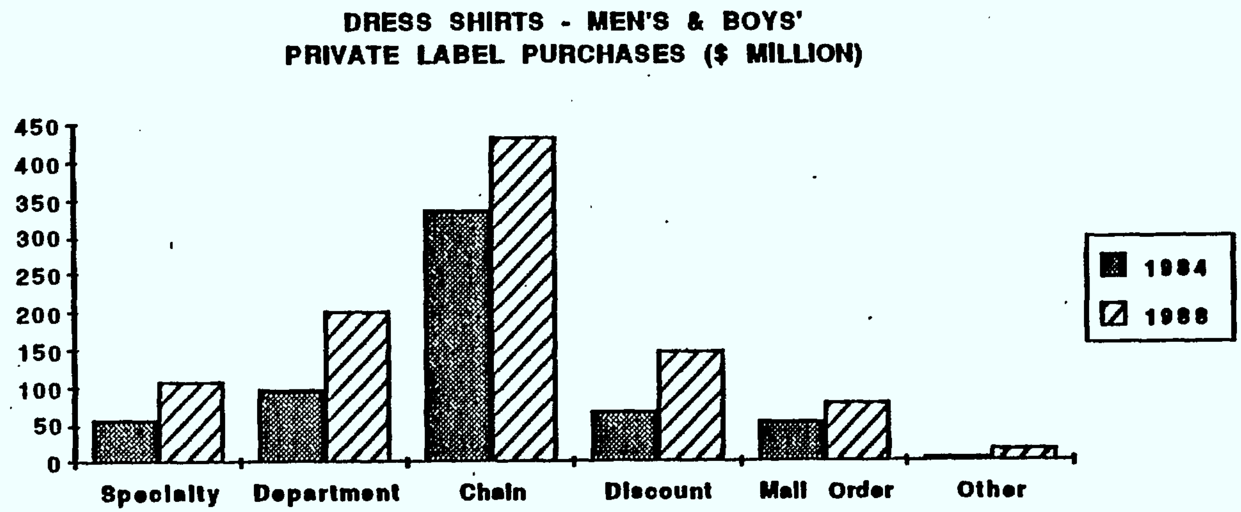
DRESS SHIRTS - MEN'S & BOYS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES



Source: KSA/NPD Purchase Panel

KSA

All channels of distribution achieved significant increases in private label purchases of Dress Shirts.

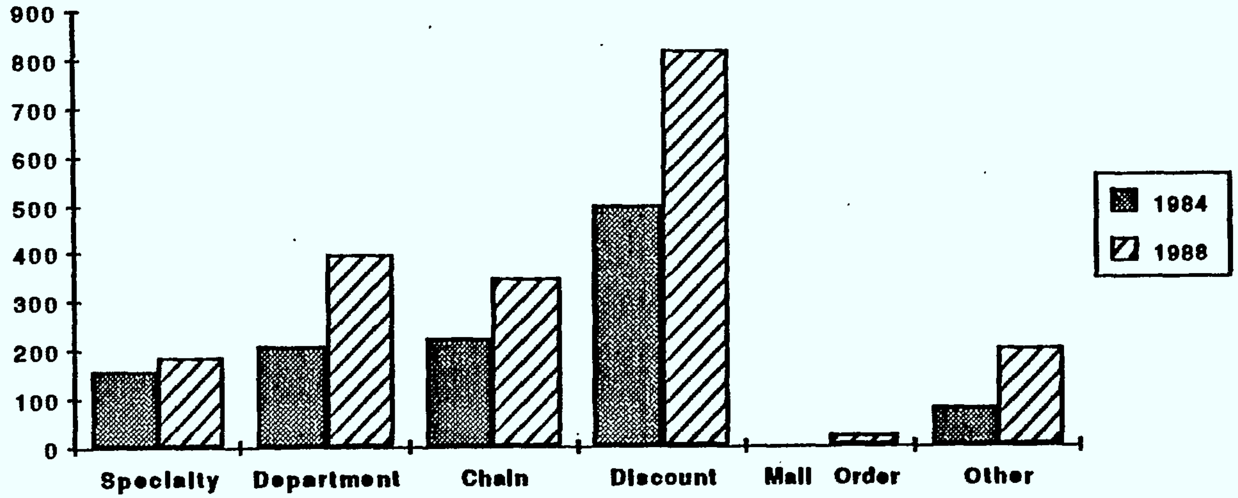


Source: KSA/NPD Purchase Panel

KSA

Boys' Infantswear purchases increased in all channels reflecting the higher birth rates of the mid-1980's.

INFANTSWEAR - BOYS'
TOTAL PURCHASES ($ MILLION)

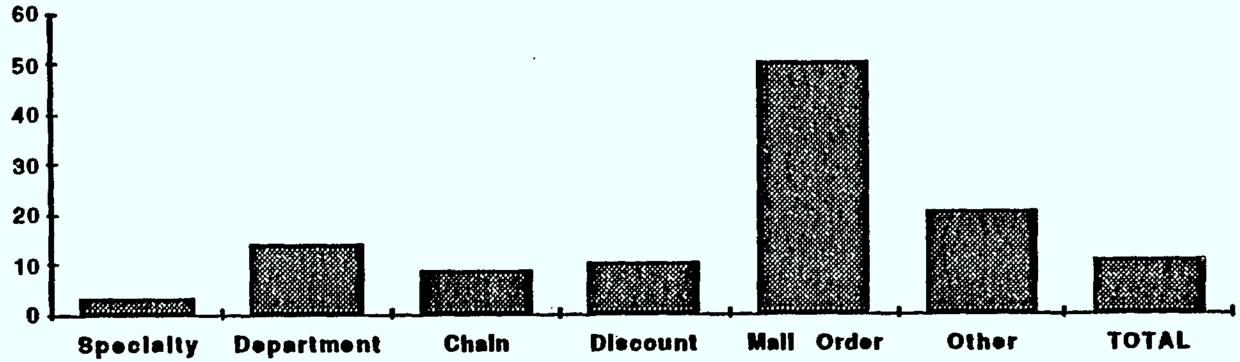


Source: KSA/NPD Purchase Panel

KSA

Category growth was fairly evenly divided among channels with the exception of Mail Order. Specialty stores underperformed the market average.

INFANTSWEAR - BOYS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES

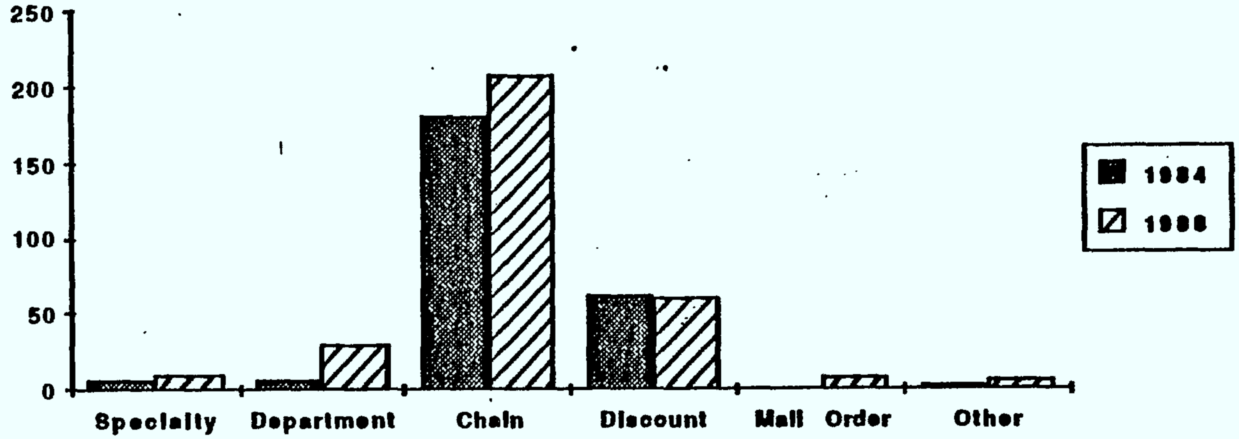


Source: KSA/NPD Purchase Panel

KSA

In general, private label plays a minor role in the Boys' Infantswear market. The sole exception is Chain stores which hold significant volume in this product area.

INFANTSWEAR - BOYS'
PRIVATE LABEL PURCHASES ($ MILLION)

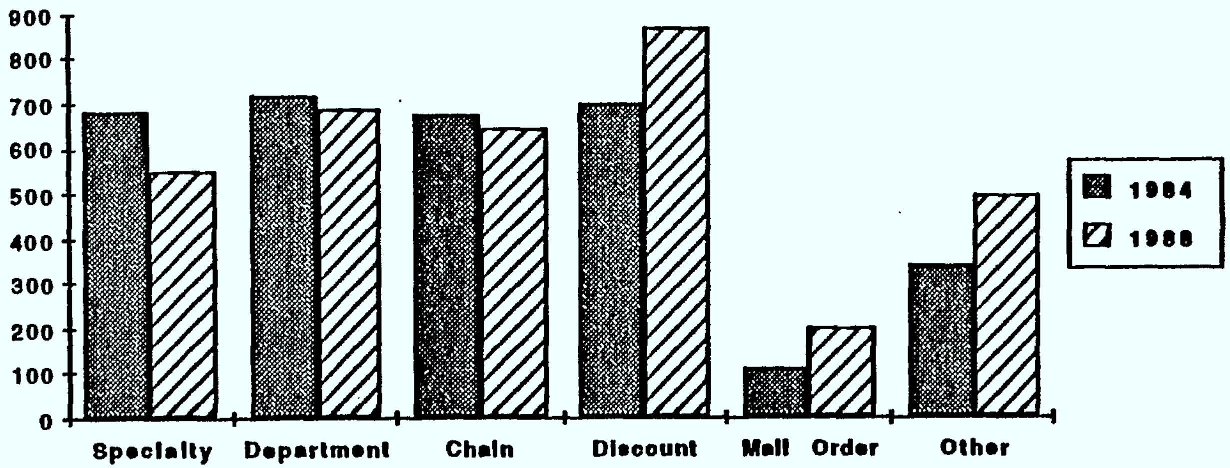


Source: KSA/NPD Purchase Panel

KSA

Consumer purchases of Men's and Boys' Outerwear is greatest among Discount stores, which have gained considerable market share in this category since 1984.

OUTERCOATS & JACKETS - MEN'S & BOYS'
TOTAL PURCHASES ($ MILLION)

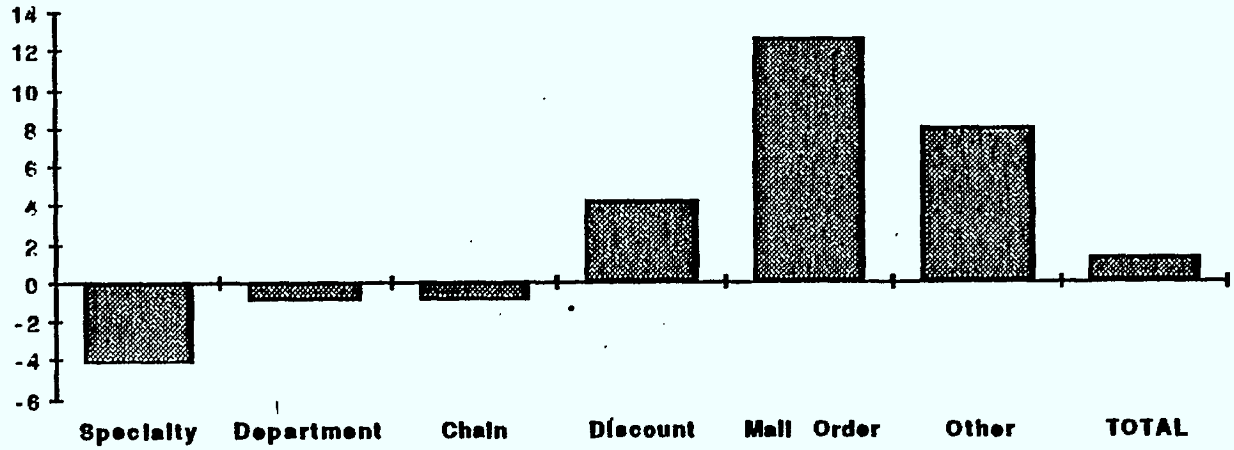


Source: KSA/NPD Purchase Panel

KSA

The growth rate of Men's and Boy's Outerwear purchases has averaged approximately 1% per year between 1984 to 1988. Specialty, Department and Chain stores have lost market share to Mail Order, Discounters and "Other" outlets.

OUTERCOATS & JACKETS - MEN'S & BOYS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES

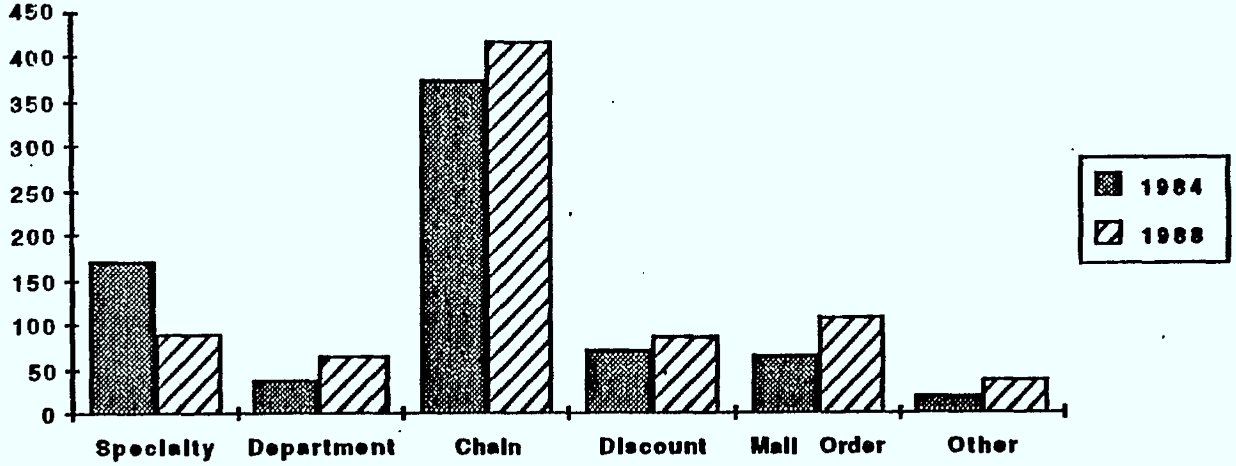


Source: KSA/NPD Purchase Panel

KSA

Private label purchases of Men's and Boys' Outercoats and Jackets outperformed the total market. All major channels showed increases from 1984 to 1988.

OUTERCOATS & JACKETS - MEN'S & BOYS'
PRIVATE LABEL PURCHASES ($ MILLION)

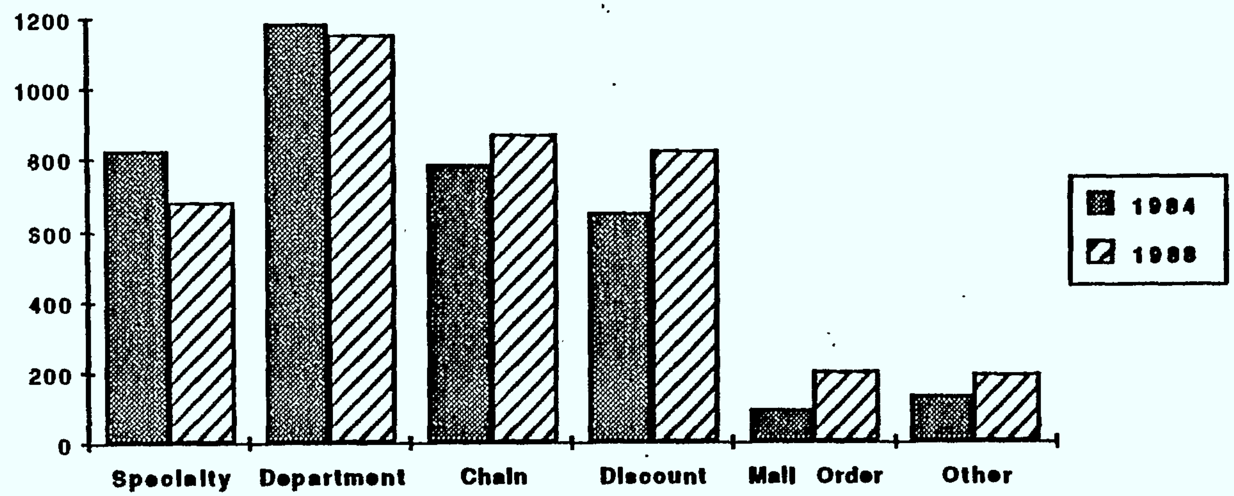


Source: KSA/NPD Purchase Panel

KSA

Consumer purchases of Men's and Boys' Pants and Slacks are greatest within Department stores; however, Chain and Discount stores, as well as Mail Order, have gained considerable market share during the past five years.

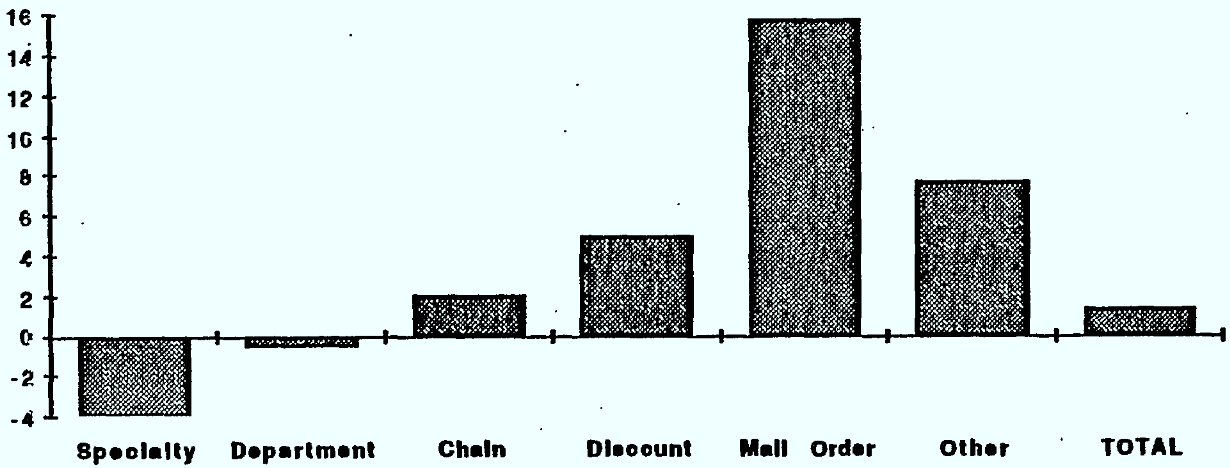
PANTS & SLACKS - MEN'S & BOYS'
TOTAL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

The Mail Order, Discount and "Other" distribution channels have experienced the most rapid growth rates between 1984 to 1988.

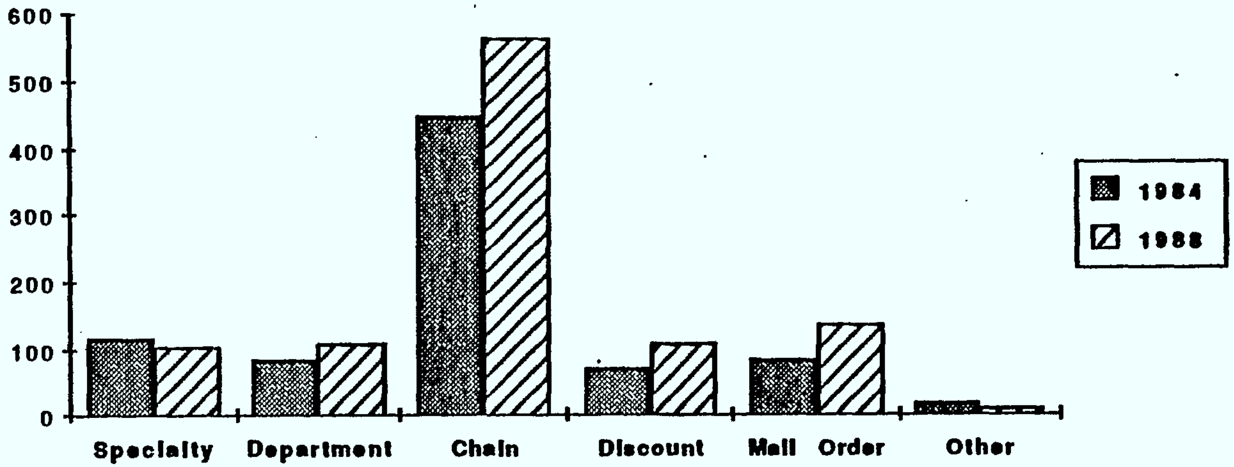
PANTS & SLACKS - MEN'S & BOYS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES



Source: KSA/NPD Purchase Panel

Purchases of private label Men's and Boys' Pants and Slacks increased in Chain stores, Discounters and Mail Order, reflecting trends for these channels in the total market.

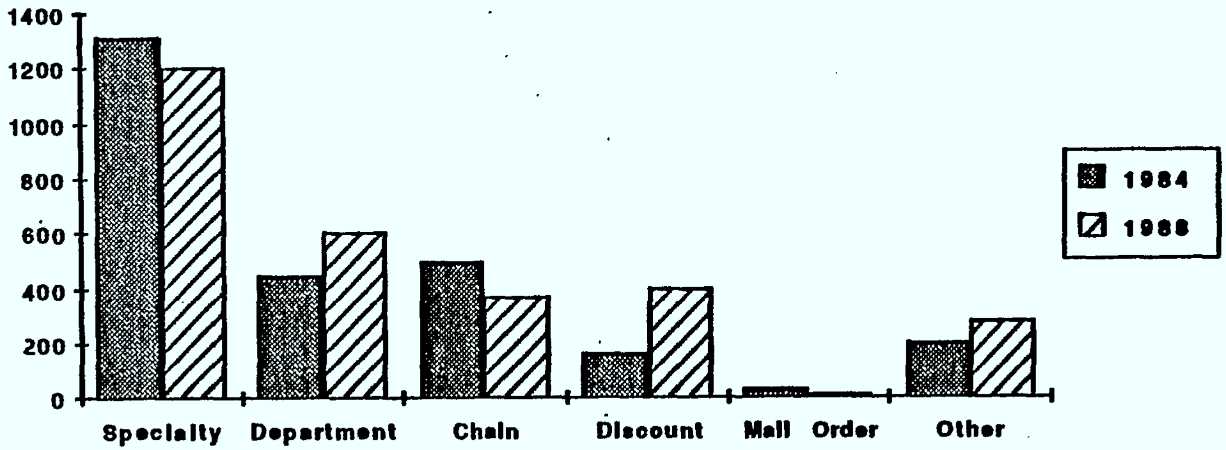
PANTS & SLACKS - MEN'S & BOYS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

Specialty stores maintained their dominance of Men's and Boys' Suit and Tailored Separates market in 1988, although their volume has declined since 1984.

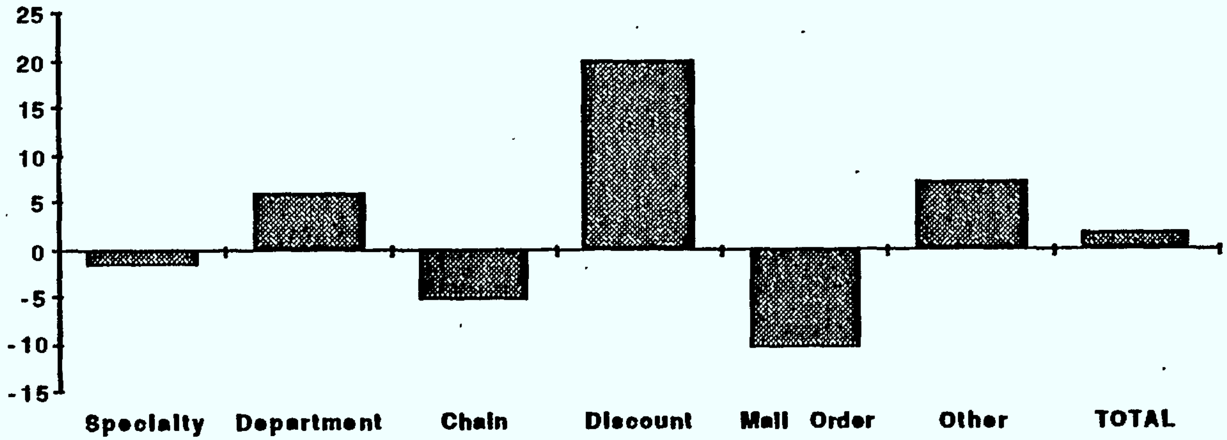
SUITS & TAILORED SEPARATES - MEN'S & BOYS'
TOTAL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

The annual growth rate of Men's and Boys' Suits and Tailored Separates purchases has been relatively flat from 1984 to 1988. Discount stores have experienced rapid growth (20%+ annually), although over a relatively small base.

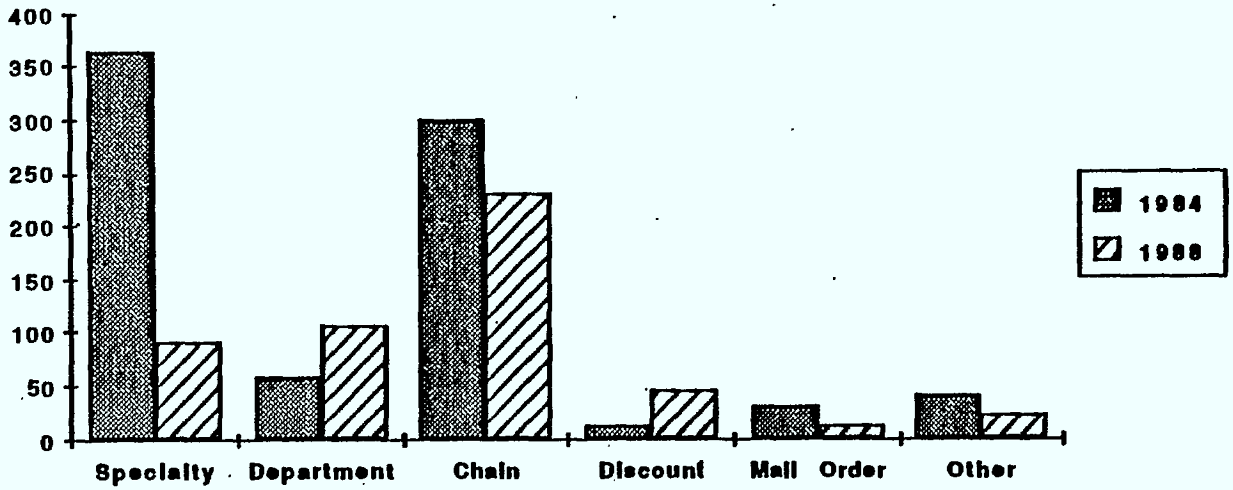
SUITS & TAILORED SEPARATES - MEN'S & BOYS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES



Source: KSA/NPD Purchase Panel

Private label purchases of Men's and Boys' Suits performed according to total market trends. Specialty stores, Chains and Mail Order declined while Department and Discount stores increased.

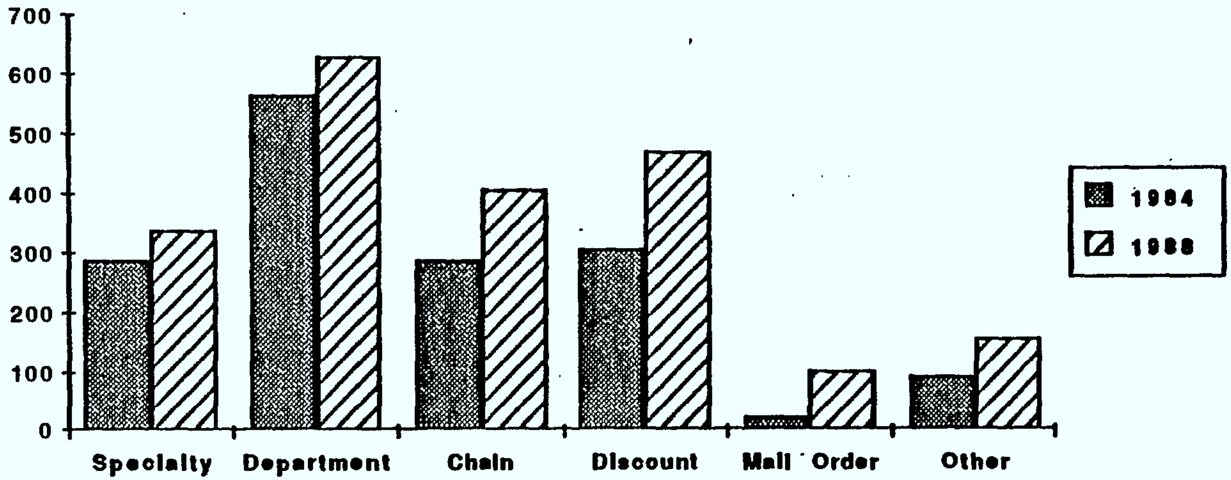
SUITS & TAILORED SEPARATES - MEN'S & BOYS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

Men's and Boys' Sweater purchases are greatest within Department stores, with Discount and Chain stores gaining the most volume since 1984.

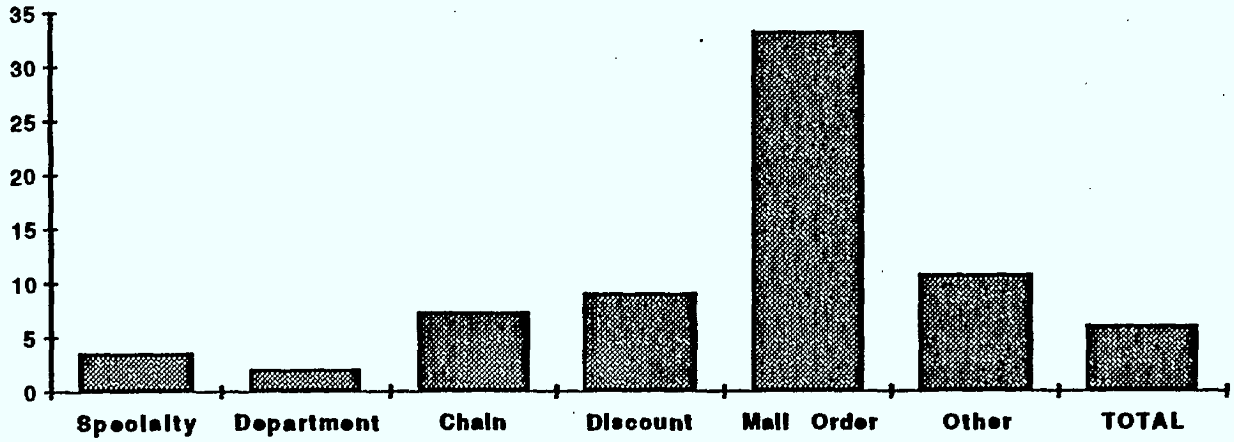
SWEATERS - MEN'S & BOYS'
TOTAL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

Consumer purchases of Men's and Boys' Sweaters have averaged approximately 5% annually over the past five years. Growth among Mail Order has been explosive, at over 30% annually.

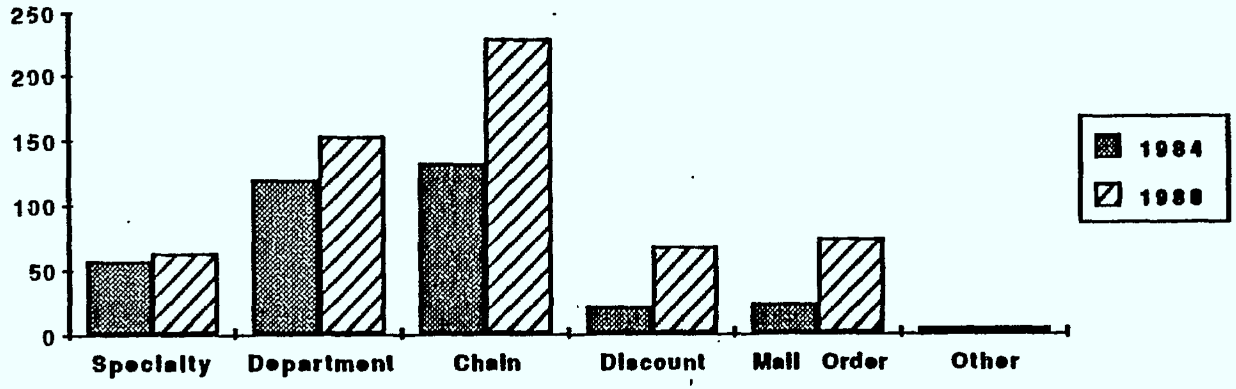
SWEATERS - MEN'S & BOYS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES



Source: KSA/NPD Purchase Panel

Purchases of private label Men's and Boys' Sweaters matched retail channel trends for the total market, with all channels increasing volume.

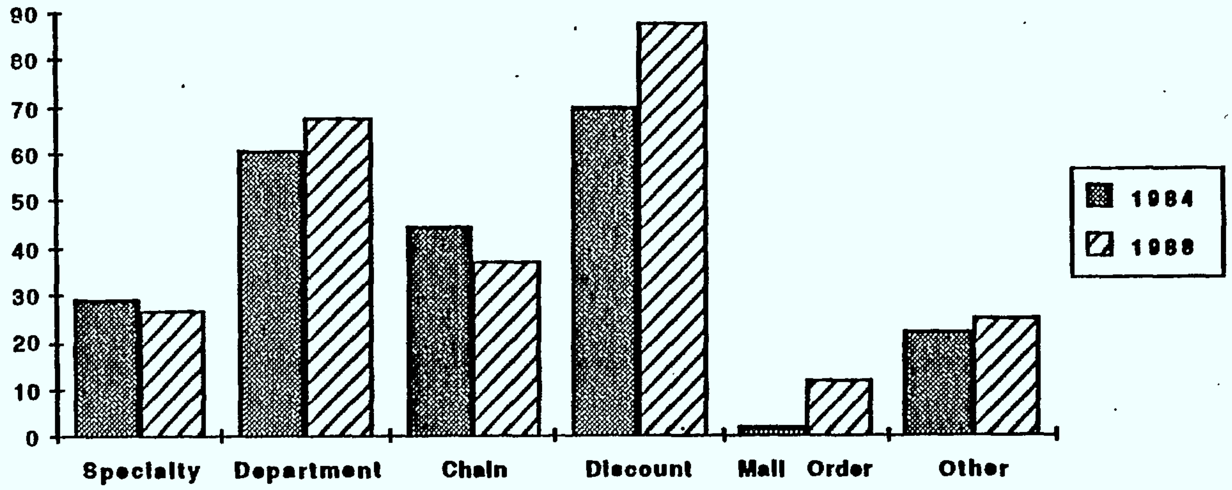
SWEATERS - MEN'S & BOYS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

Discount stores extended their leadership in sales of Men's and Boys' Swimwear from 1984 to 1988. All other retail channels also increased with the exception of Specialty stores and Chain stores.

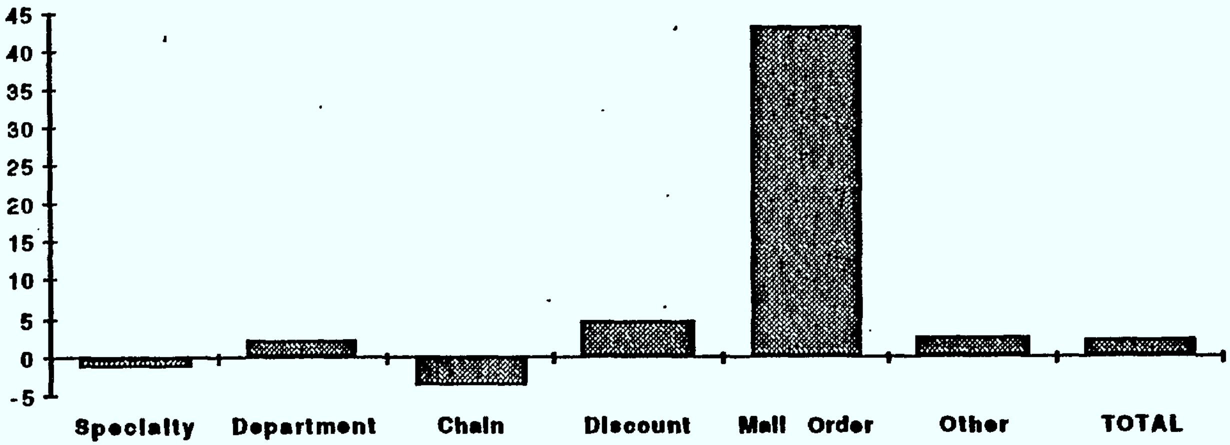
SWIMWEAR - MEN'S & BOYS'
TOTAL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

The annual growth rate of Men's and Boys' Swimwear was only 1% between 1984 to 1988. Mail Order's exceptional rate of increase was due to low volume in 1984.

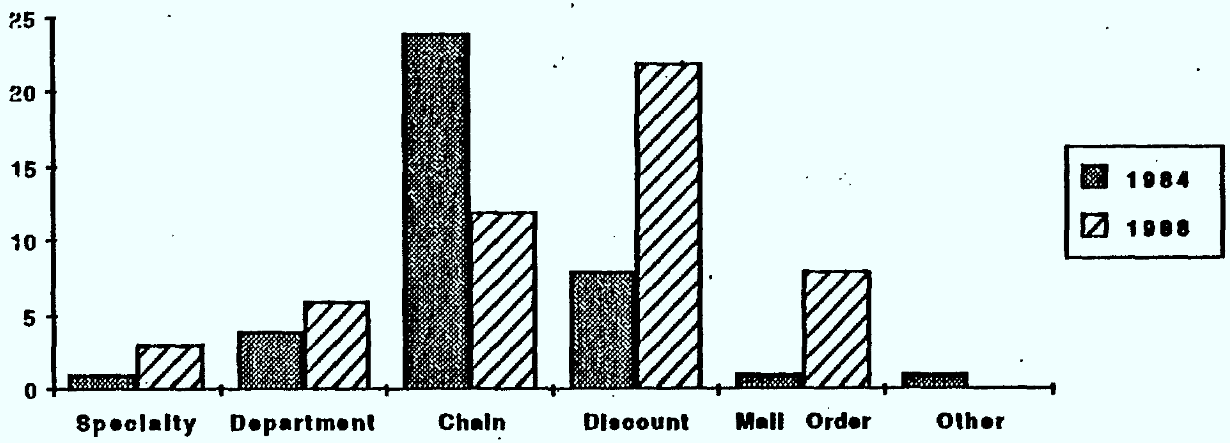
SWIMWEAR - MEN'S & BOYS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES



Source: KSA/NPD Purchase Panel

Private label purchases of Men's and Boys' Swimwear increased from 1984 to 1988 in all channels except Chains. The decline in Chains' private label volume is equivalent to that channel's drop in the total market.

SWIMWEAR - MEN'S & BOYS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

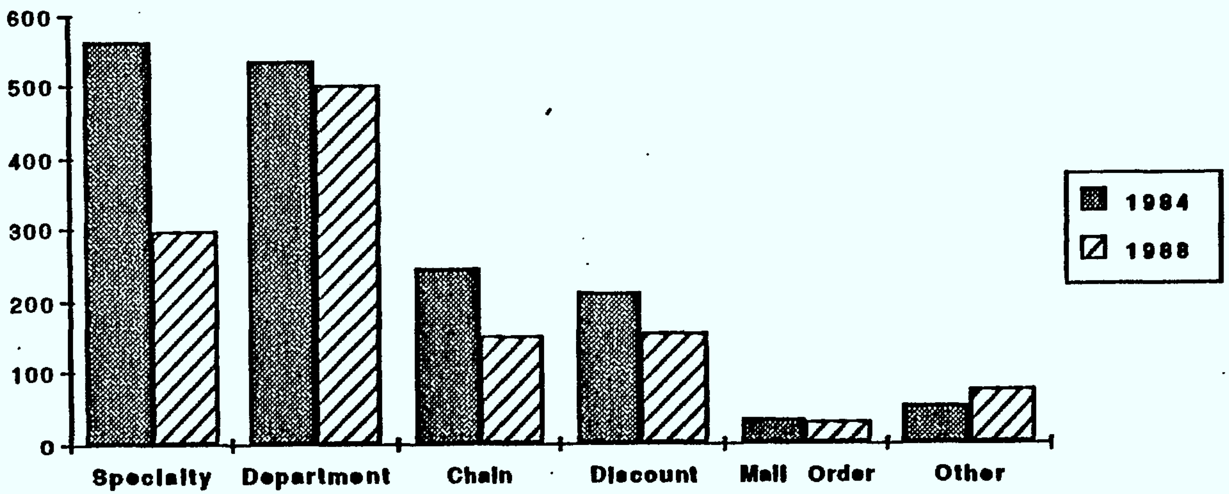
B. Women's and Girls'

WOMEN'S AND GIRLS'

- Blazers
- Blouses
- Dresses
- Infantswear
- Nightwear
- Other Tailored Separates
- Outercoats and Jackets
- Pants and Slacks
- Robes and Loungewear
- Skirts
- Suits
- Sweaters
- Swimwear

Consumer purchases of Women's and Girls' Blazers are greatest within Department stores. Virtually all distribution channels experienced significant declines in volume between 1984 and 1988, particularly Specialty stores.

BLAZERS - WOMEN'S & GIRLS' TOTAL PURCHASES ($ MILLION)

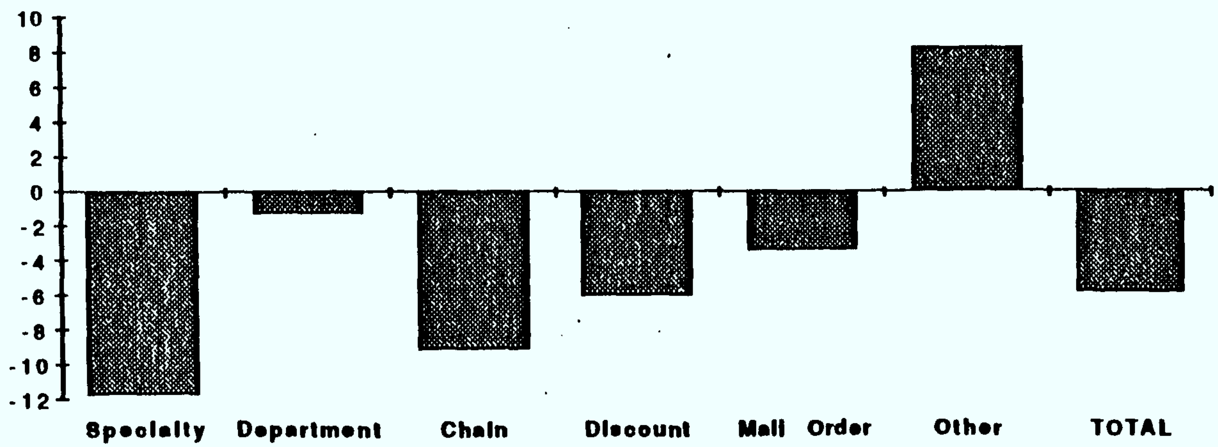


Source: KSA/NPD Purchase Panel

KSA

Purchases of Women's and Girls' Blazers declined sharply from 1984 to 1988 - averaging over 6% per year. Virtually all distribution channels showed decreases.

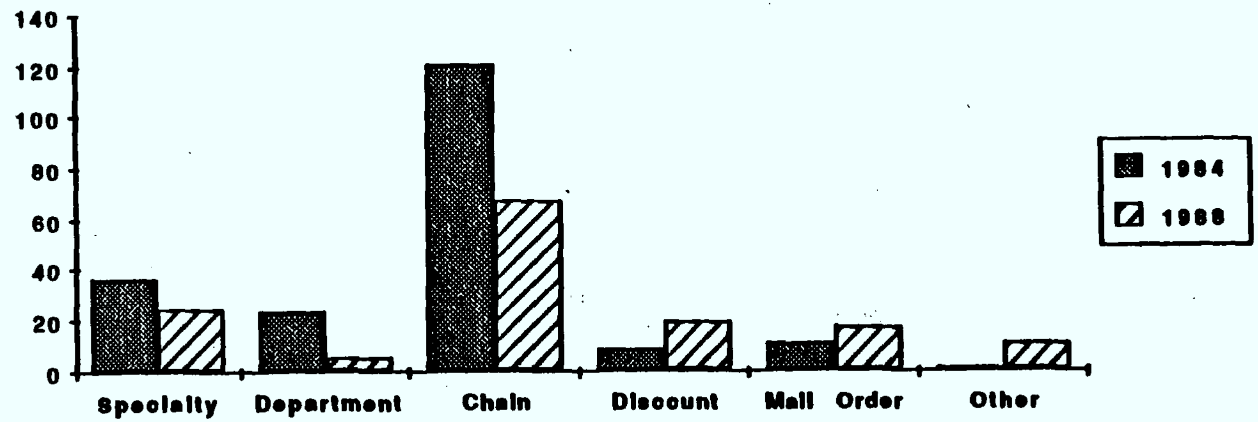
BLAZERS - WOMEN'S & GIRLS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES



Source: KSA/NPD Purchase Panel

Purchases of private label Blazers declined sharply in Chain, Department and Specialty stores, while increasing in Discount, Mail Order and Other channels.

BLAZERS - WOMEN'S & GIRLS'
PRIVATE LABEL PURCHASES ($ MILLION)

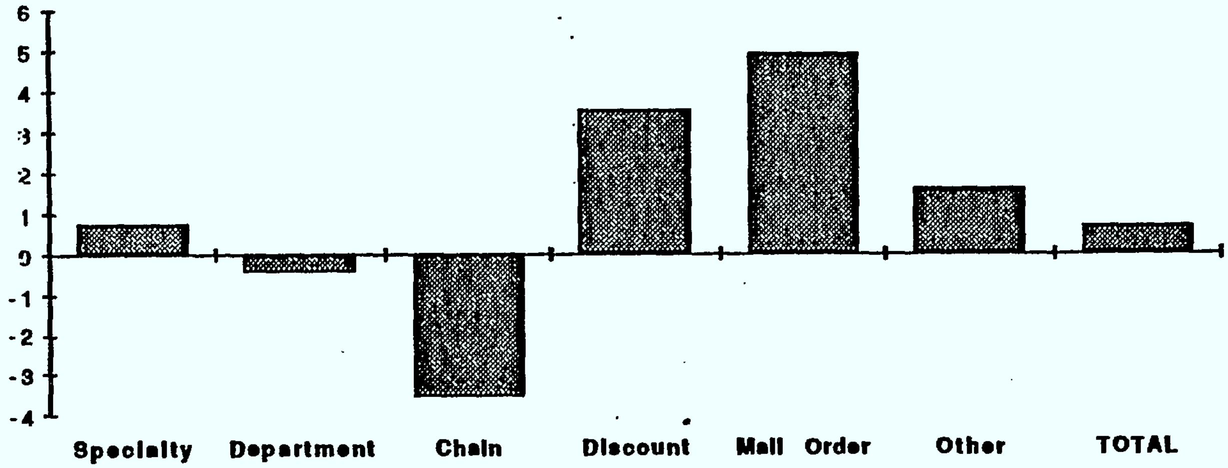


Source: KSA/NPD Purchase Panel

KSA

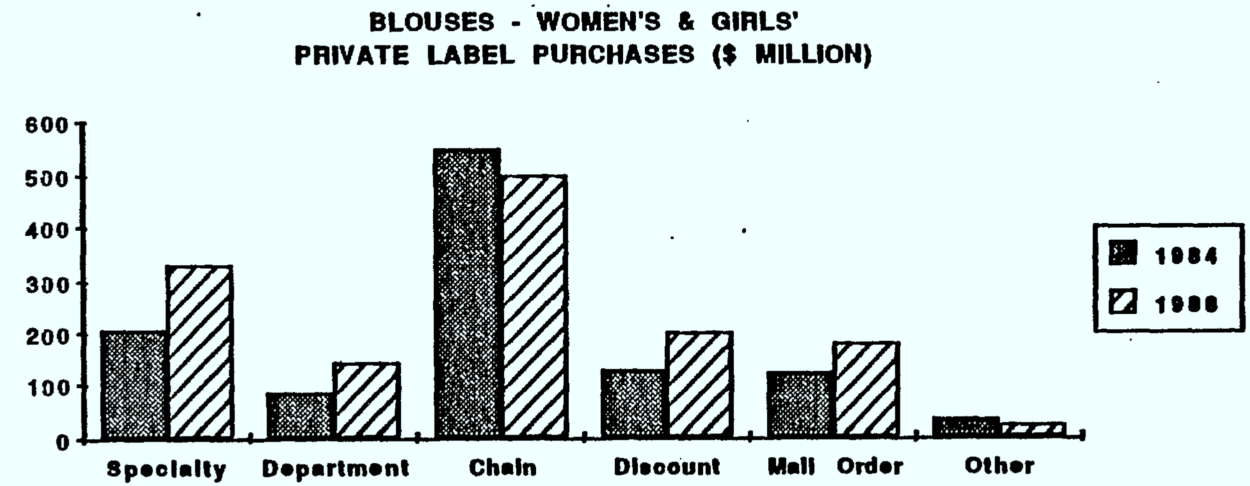
Overall, purchases of Blouses have grown less than 1% annually between 1984 to 1988. Growth has been largely confined to Mail Order and Discount stores.

BLOUSES - WOMEN'S & GIRLS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES



Source: KSA/NPD Purchase Panel

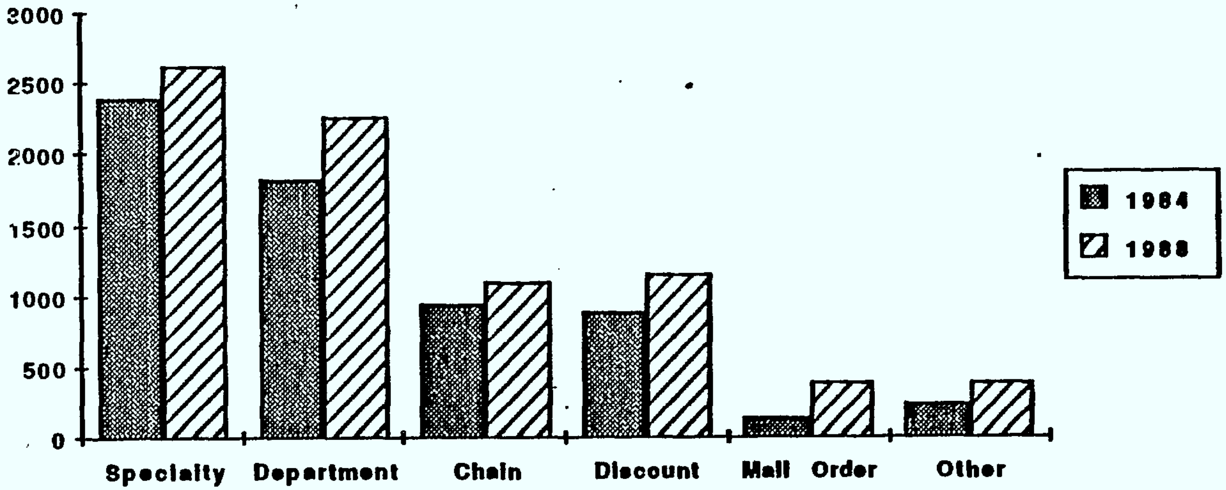
All major channels recorded solid increases in private label Blouse purchases from 1984 to 1988, with the exception of Chain stores.



Source: KSA/NPD Purchase Panel

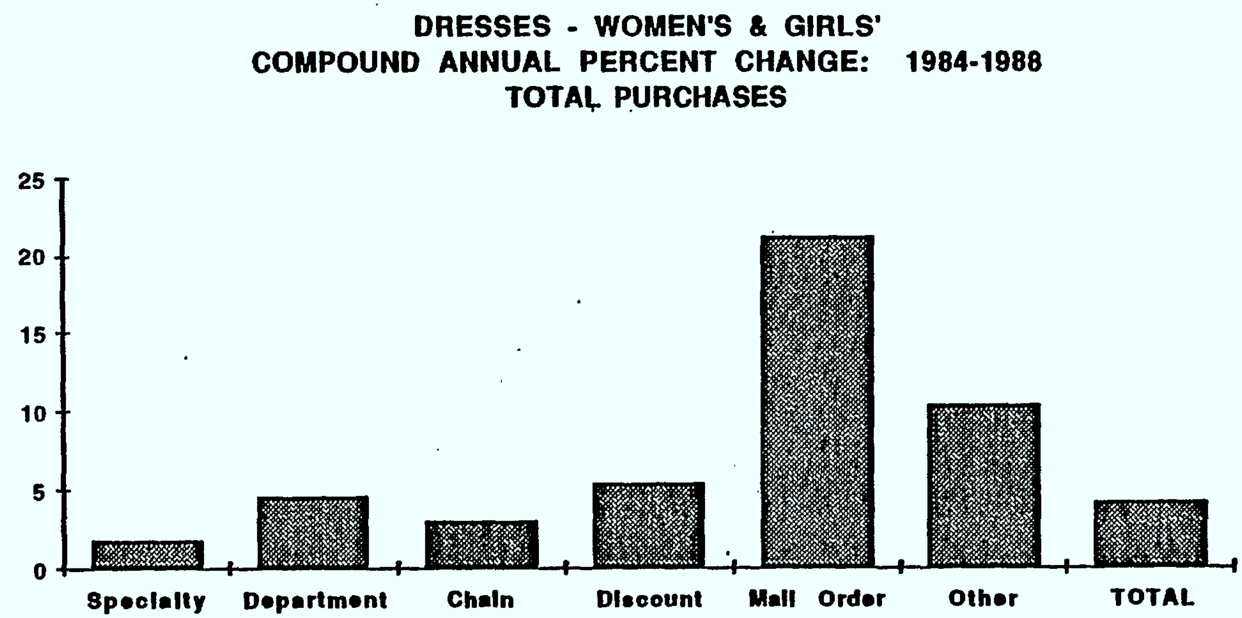
Consumer purchases of Dresses have grown in all distribution channels. Specialty and Department stores dominate the market.

DRESSES - WOMEN'S & GIRLS'
TOTAL PURCHASES ($ MILLION)



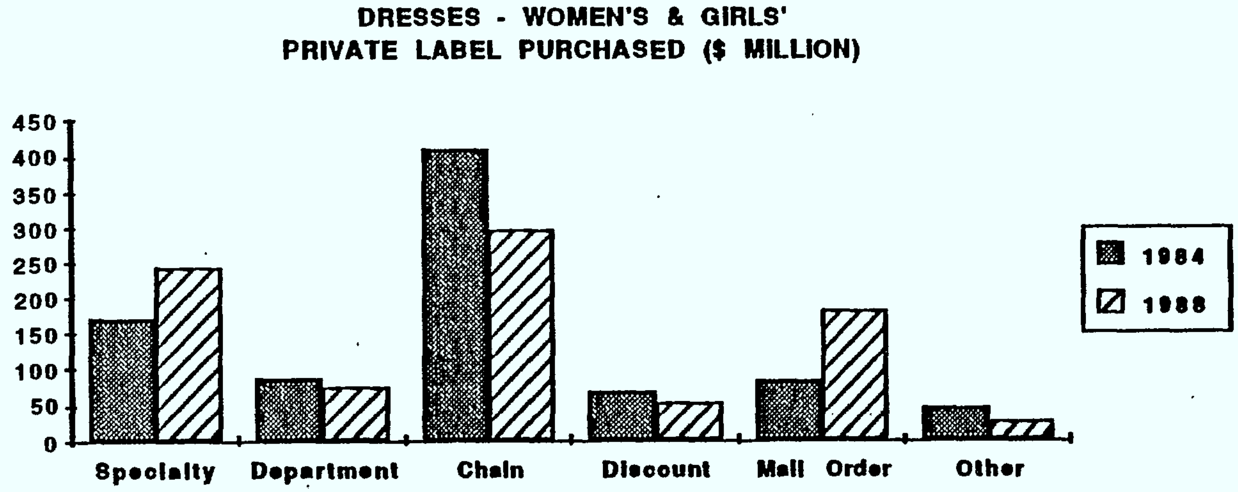
Source: KSA/NPD Purchase Panel

The growth rate of Dress purchases has averaged approximately 4% annually between 1980 to 1984, and was dramatic in Mail Order, although on a relatively small volume base.



Source: KSA/NPD Purchase Panel

Purchases of private label Dresses dropped sharply in Chain stores, while increasing significantly in Specialty stores and Mail Order.

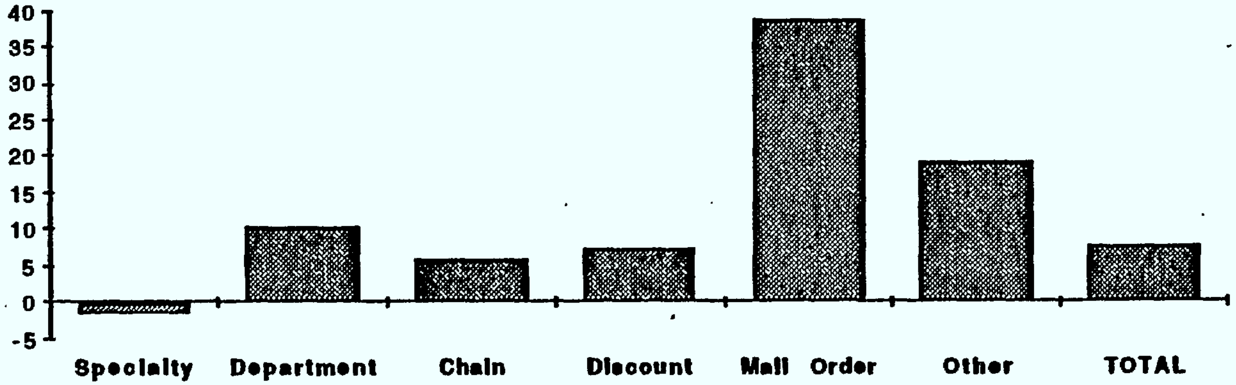


Source: KSA/NPD Purchase Panel

KSA

Overall, purchases of Girls' Infantswear increased at approximately 8% annually. The large gain of Mail Order was against a small base in 1984.

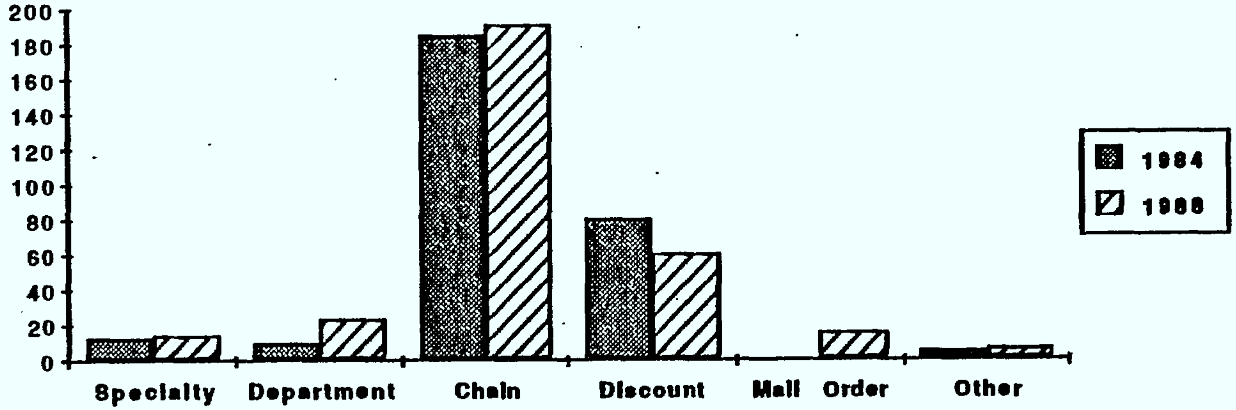
INFANTSWEAR - GIRLS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES



Source: KSA/NPD Purchase Panel

Purchases of private label Girls' Infantswear increased in all retail channels except Discount stores.

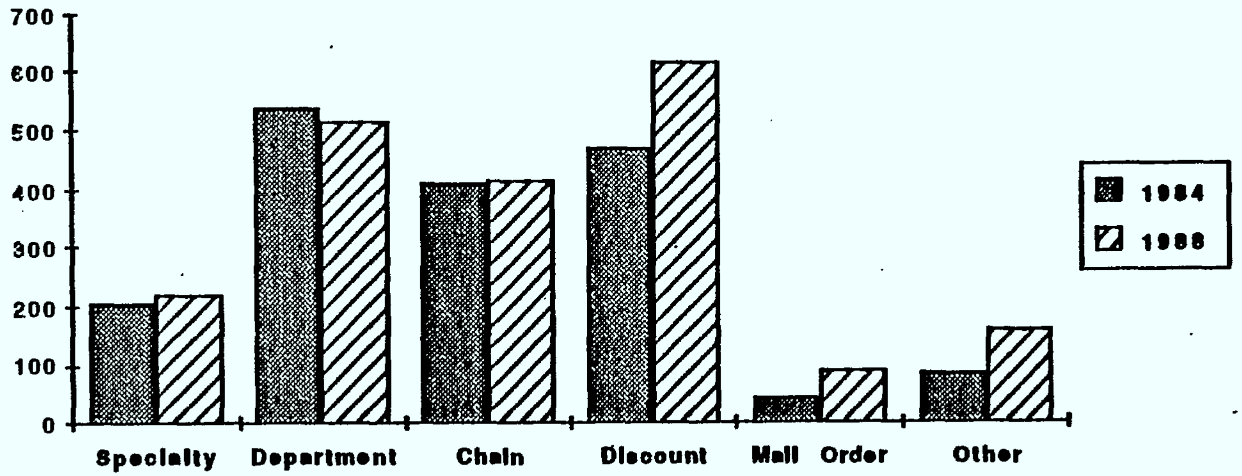
INFANTSWEAR - GIRLS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

From 1984 to 1988, Discount stores established a strong leadership position in sales of Nightwear.

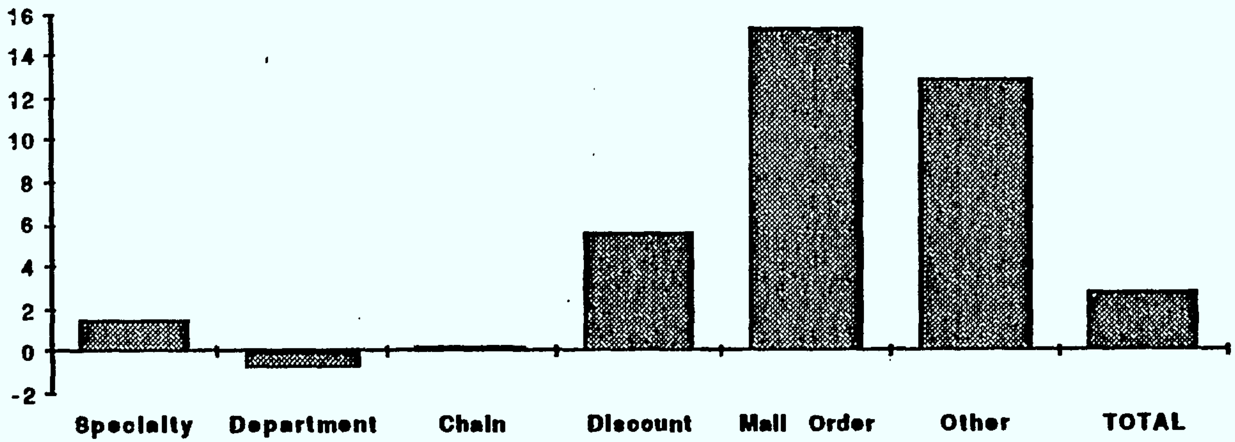
NIGHTWEAR - WOMEN'S & GIRLS'
TOTAL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

Purchases of Nightwear increased at a compound rate of nearly 6% per year in Discount stores from 1984 to 1988, nearly double the category rate. Double-digit gains for Mail Order and Other were achieved over low 1984 bases.

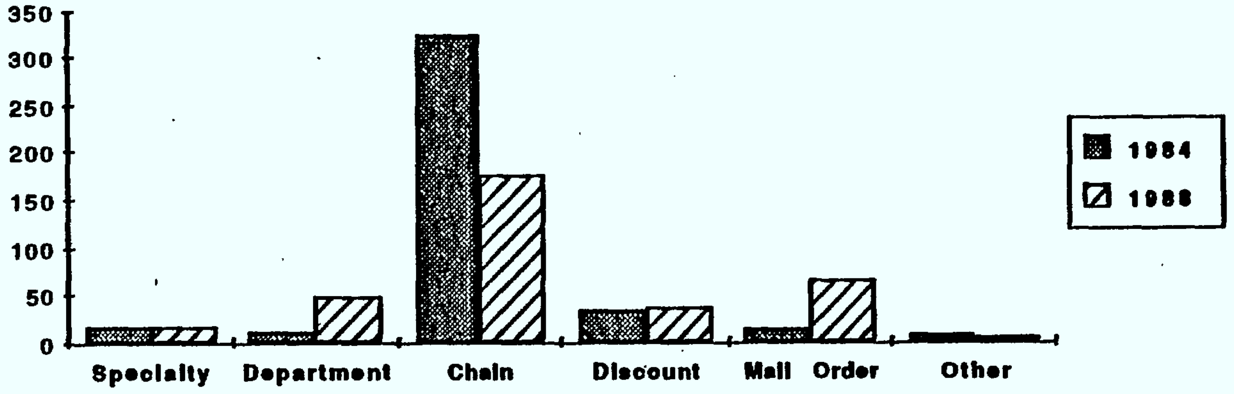
NIGHTWEAR - WOMEN'S & GIRLS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES



Source: KSA/NPD Purchase Panel

Consumer purchases of private label Nightwear fell nearly 50% in Chain stores from 1984 to 1988, reflecting a strong shift to branded merchandise.

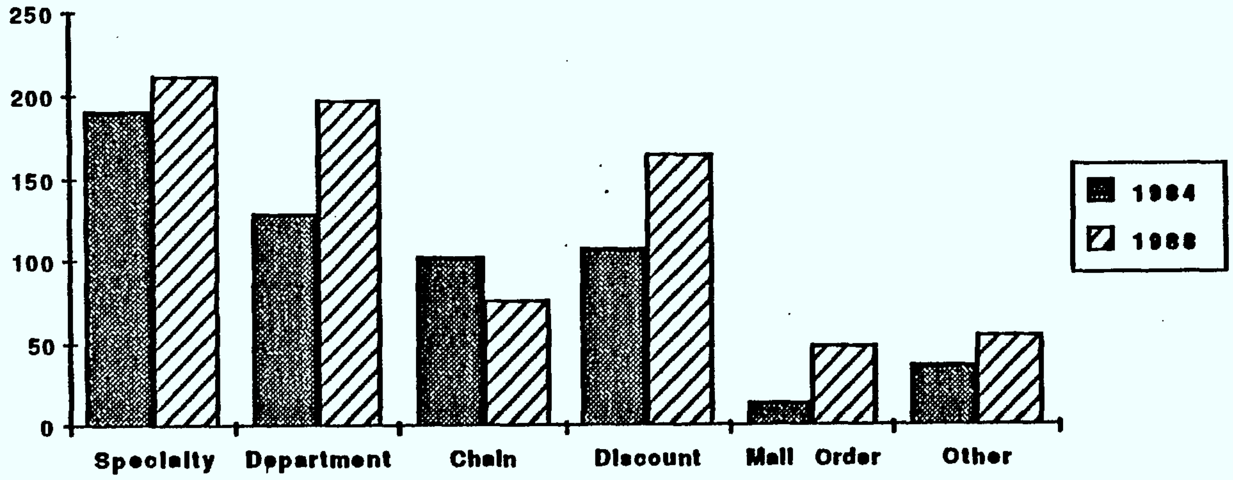
NIGHTWEAR - WOMEN'S & GIRLS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

Consumer purchases of Other Tailored Separates have increased in all distribution channels with the exception of Chain stores.

OTHER TAILORED SEPARATES - WOMEN'S & GIRLS'
TOTAL PURCHASES ($ MILLION)

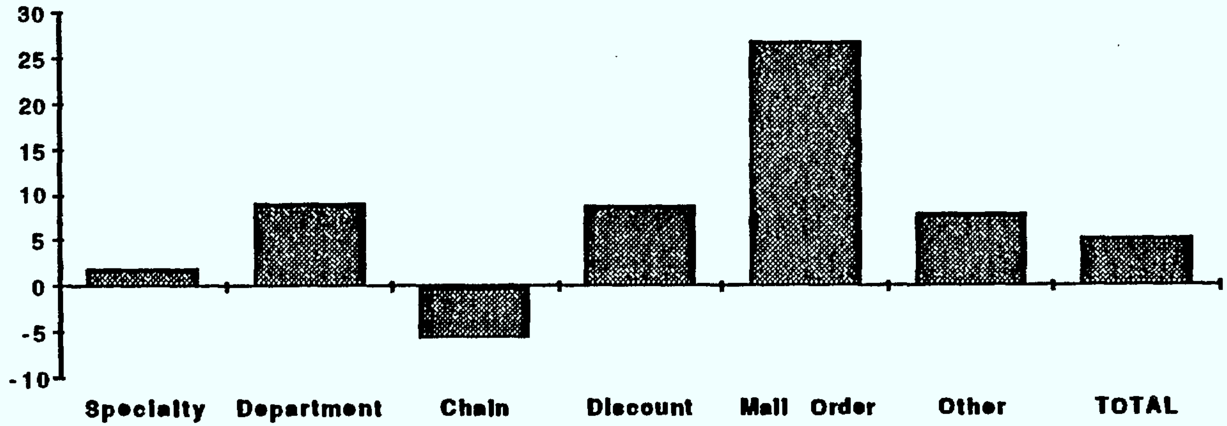


Source: KSA/NPD Purchase Panel

KSA

Purchases of Other Tailored Separates have increased approximately 5% annually in the past five years; Mail Order has grown at a 25% annual rate.

OTHER TAILORED SEPARATES - WOMEN'S & GIRLS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES

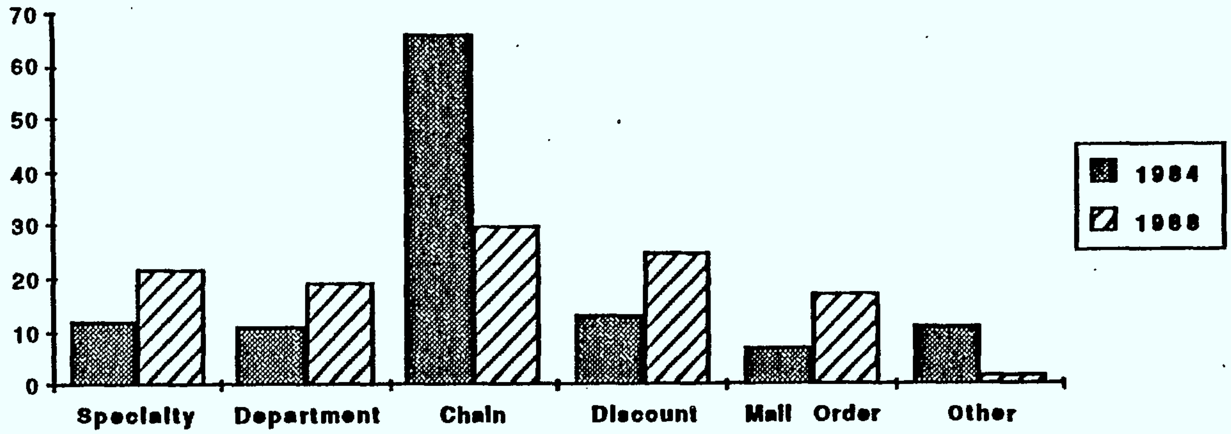


Source: KSA/NPD Purchase Panel

KSA

Mirrowing the trend in the total market, purchases of private label Other Tailored Separates for Women's and Girls' increased in all major channels except Chain stores.

OTHER TAILORED SEPARATES - WOMEN'S & GIRLS' PRIVATE LABEL PURCHASES ($ MILLION)

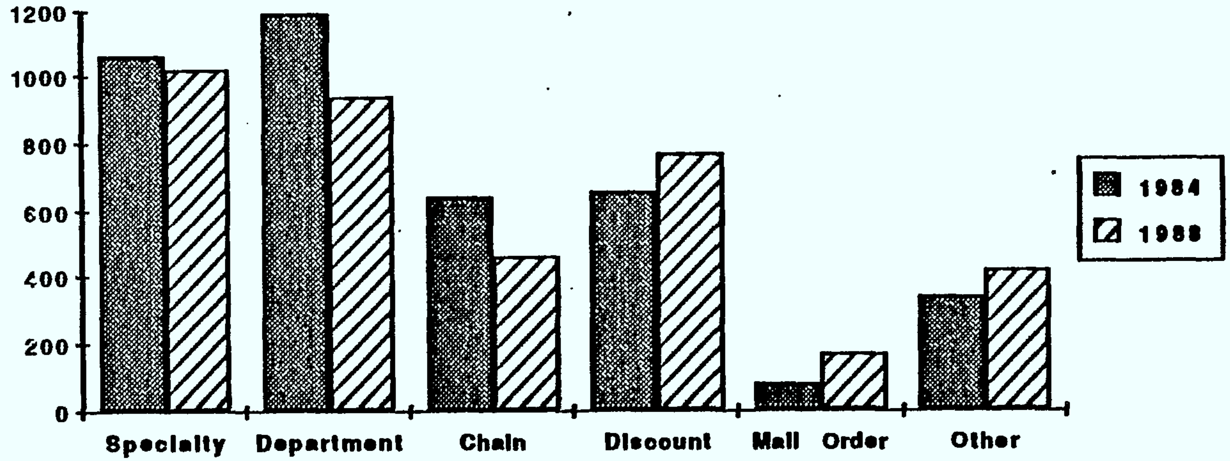


Source: KSA/NPD Purchase Panel

KSA

Purchases of Women's and Girls' Outercoats and Jackets declined significantly in Specialty, Department and Chain stores, while increasing in Discount stores, Mail Order and Other outlets.

OUTERCOATS & JACKETS - WOMEN'S & GIRLS'
TOTAL PURCHASES ($ MILLION)

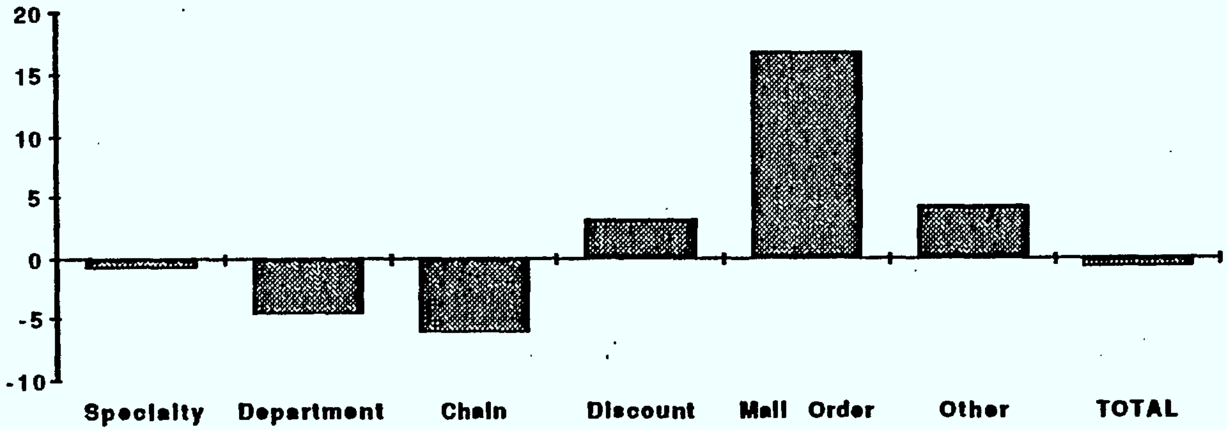


Source: KSA/NPD Purchase Panel

KSA

While the Outercoats and Jackets market for Womens and Girls declined slightly from 1984 to 1988, significantly shifts occurred by retail channel. Purchases in Department and Specialty stores declined by about 5% per year, while Mail Order and Discounters increased 17% and 3% perspectively.

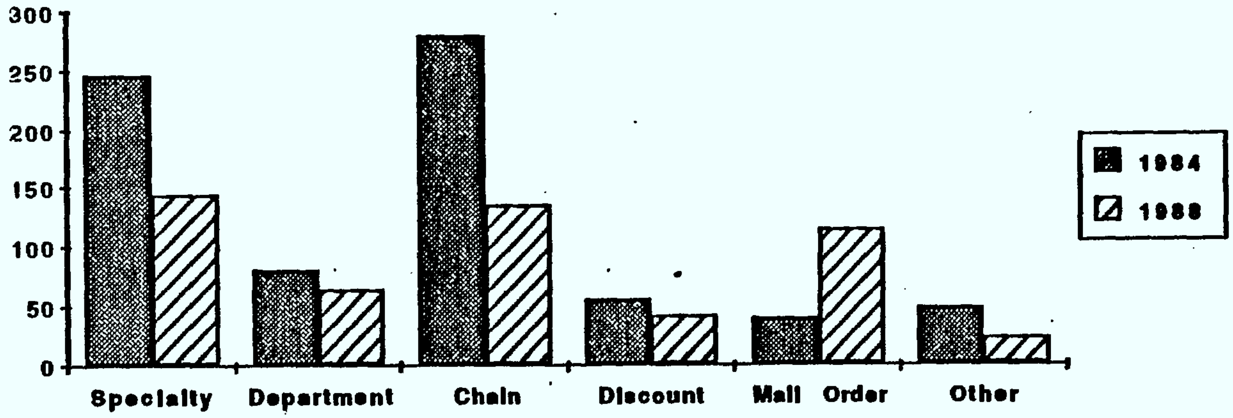
OUTERCOATS & JACKETS - WOMEN'S & GIRLS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES



Source: KSA/NPD Purchase Panel

Unlike the total market, purchases of private label Outercoats and Jackets for Women and Girls declined in all channels except Mail Order.

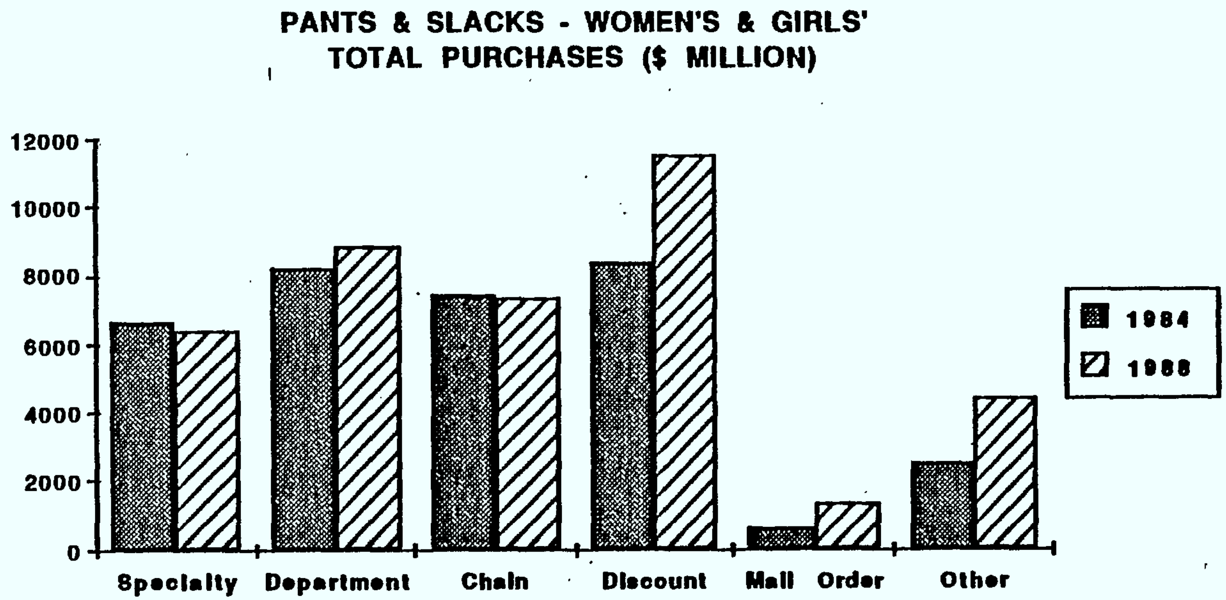
OUTERCOATS AND JACKETS - WOMEN'S & GIRLS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

KSA

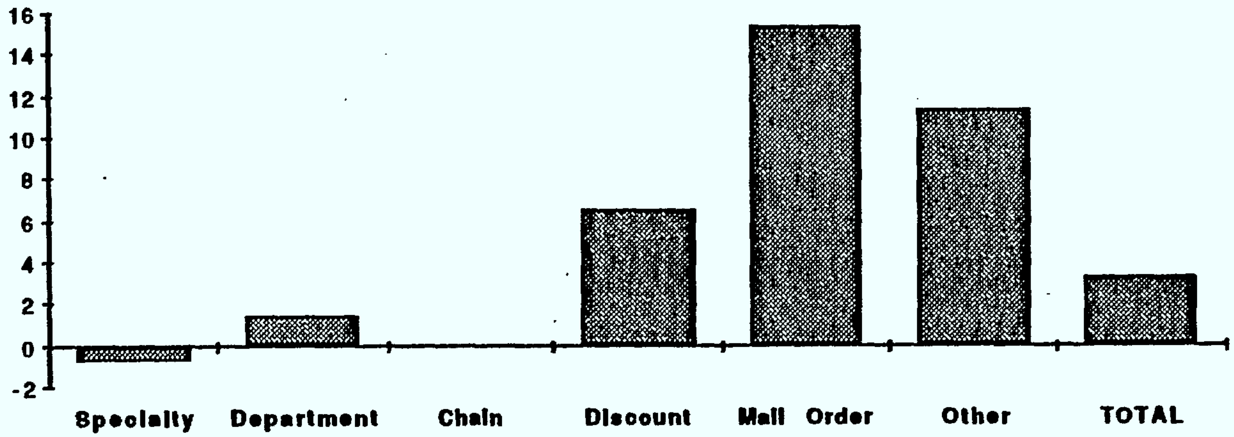
Consumer purchases of Women's and Girls' Pants and Slacks are greatest within Discount stores.



Source: KSA/NPD Purchase Panel

The Mail Order, Discount and Other distribution channels have experienced the most rapid growth rates of Pants and Slacks over the past five years.

PANTS & SLACKS - WOMEN'S & GIRLS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES

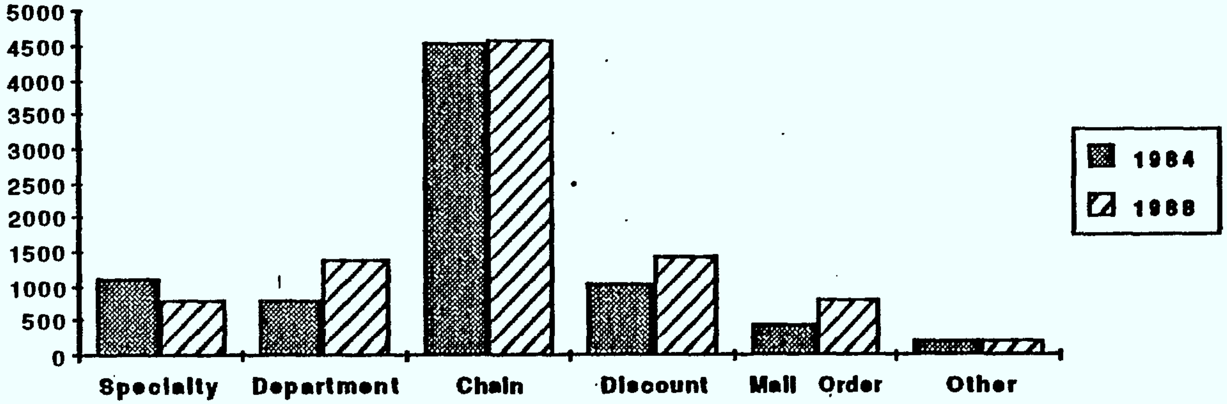


Source: KSA/NPD Purchase Panel

KSA

Reflecting its traditional base in private label, Chain stores accounted for more than half of all private label Pants and Slacks purchases for Women's and Girls'.

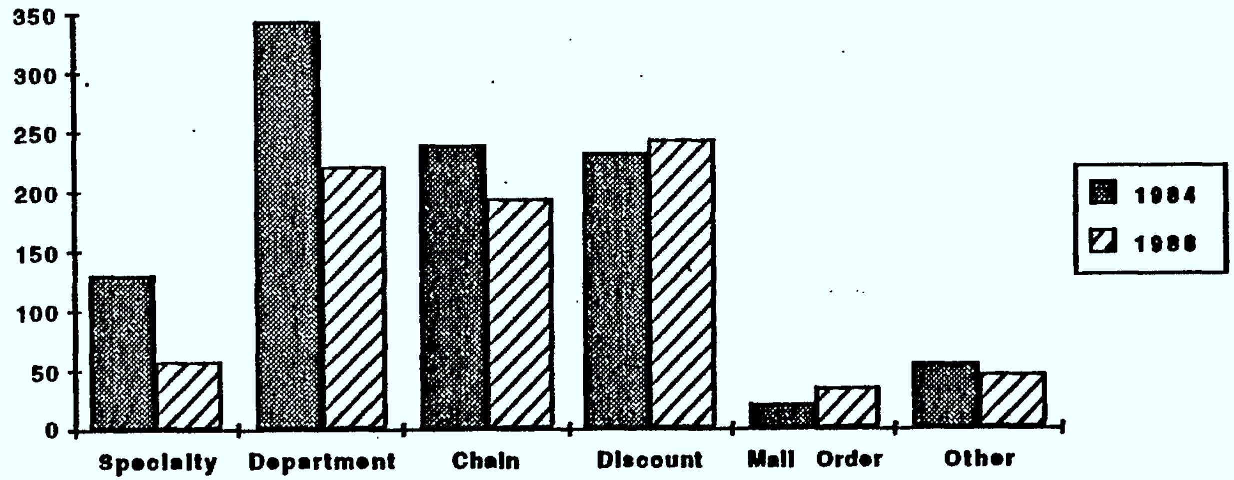
PANTS & SLACKS - WOMEN'S & GIRLS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

The decline in Robe and Loungewear purchases has been most severe in Department and Specialty stores.

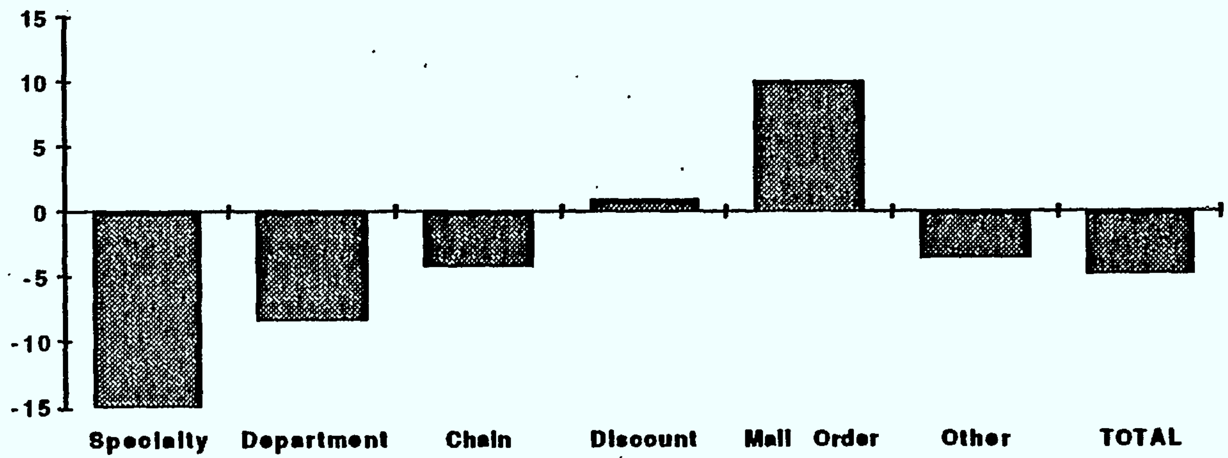
ROBES & LOUNGEWEAR - WOMEN'S & GIRLS'
TOTAL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

Total purchases of Robes and Loungewear declined approximately 5% annually between 1984 and 1988. Only Discounters and Mail Order registered increases.

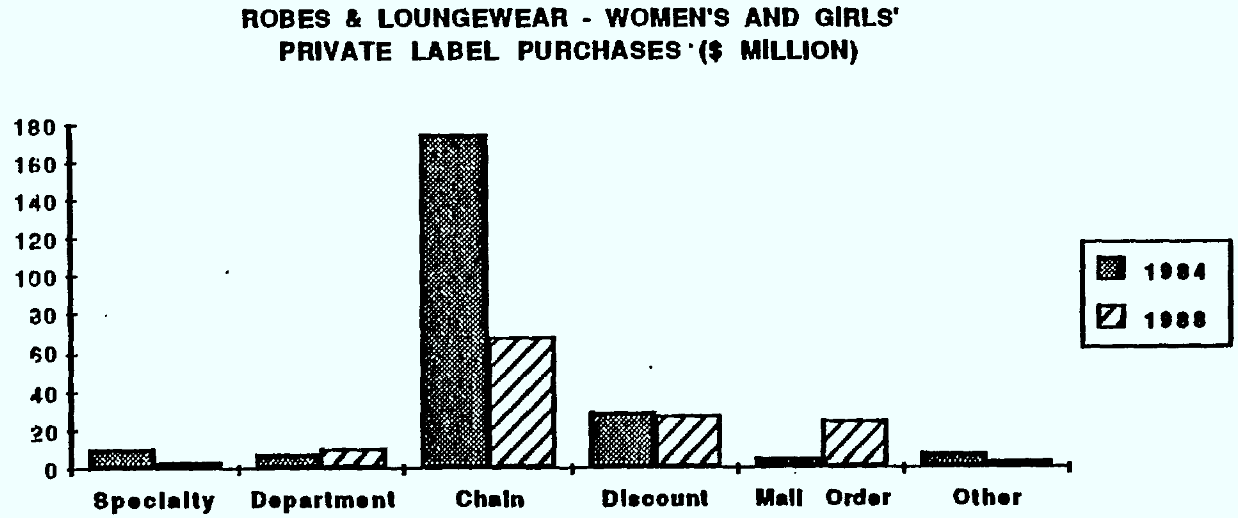
ROBES & LOUNGEWEAR - WOMEN'S & GIRLS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES



Source: KSA/NPD Purchase Panel

KSA

Mail Order's growth in Robe and Loungewear purchases is almost entirely from private label.

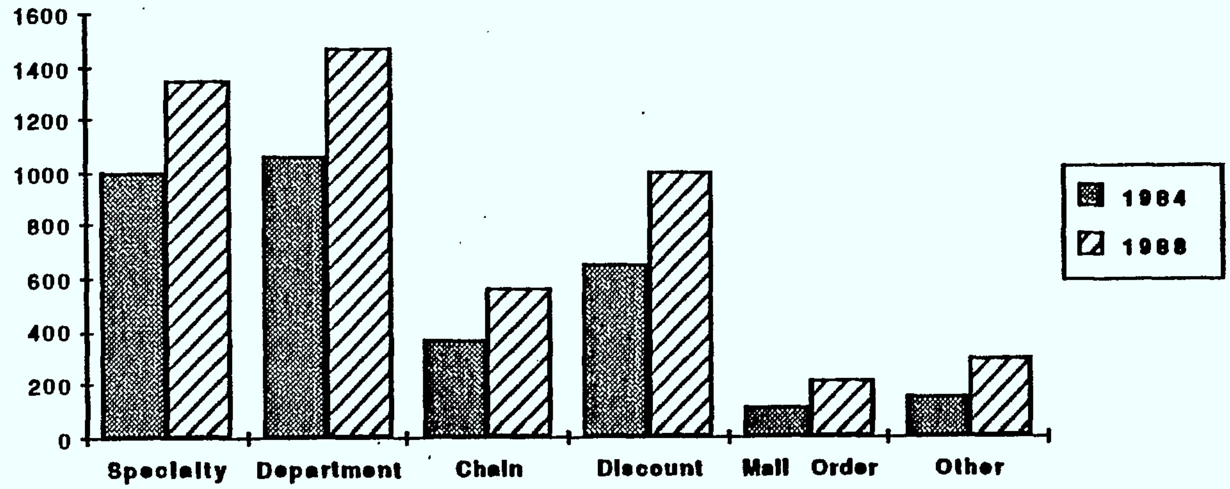


Source: KSA/NPD Purchase Panel

KSA

Specialty and Department stores have maintained their dominance of the Skirt market despite the rapid growth of Discounters.

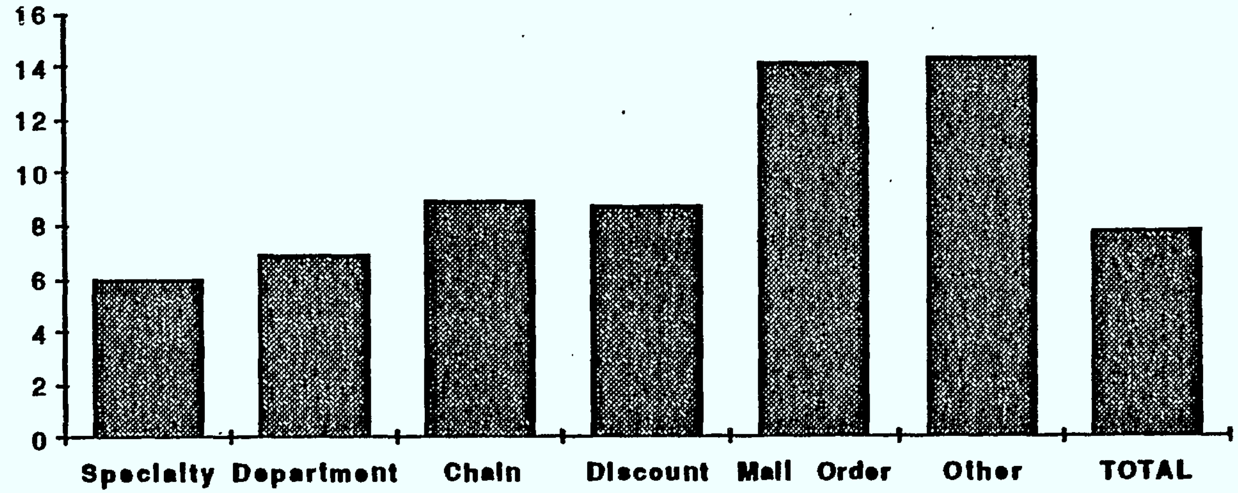
SKIRTS - WOMEN'S & GIRLS'
TOTAL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

Consumer purchases of Skirts have grown approximately 8% annually over the past five years, with all distribution channels experiencing healthy growth rates.

SKIRTS - WOMEN'S & GIRLS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES

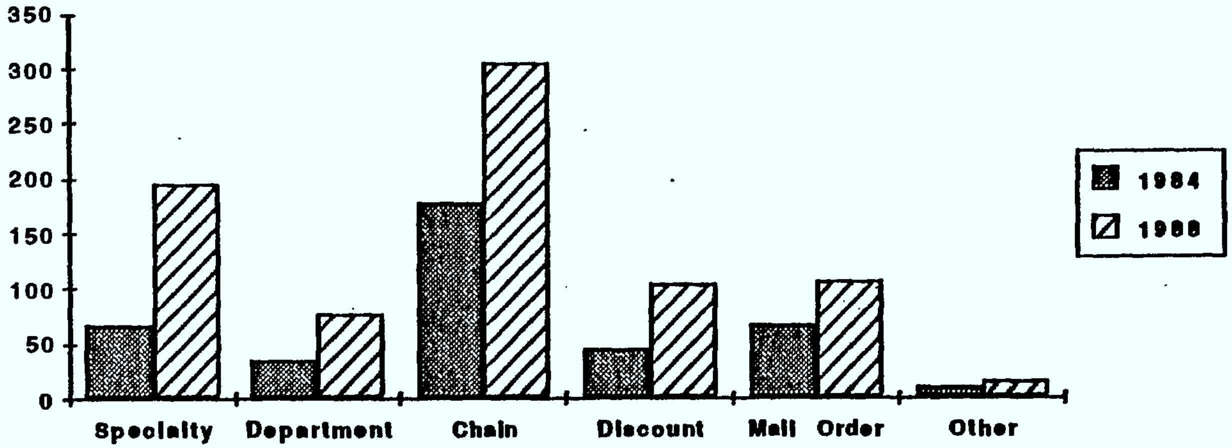


Source: KSA/NPD Purchase Panel

KSA

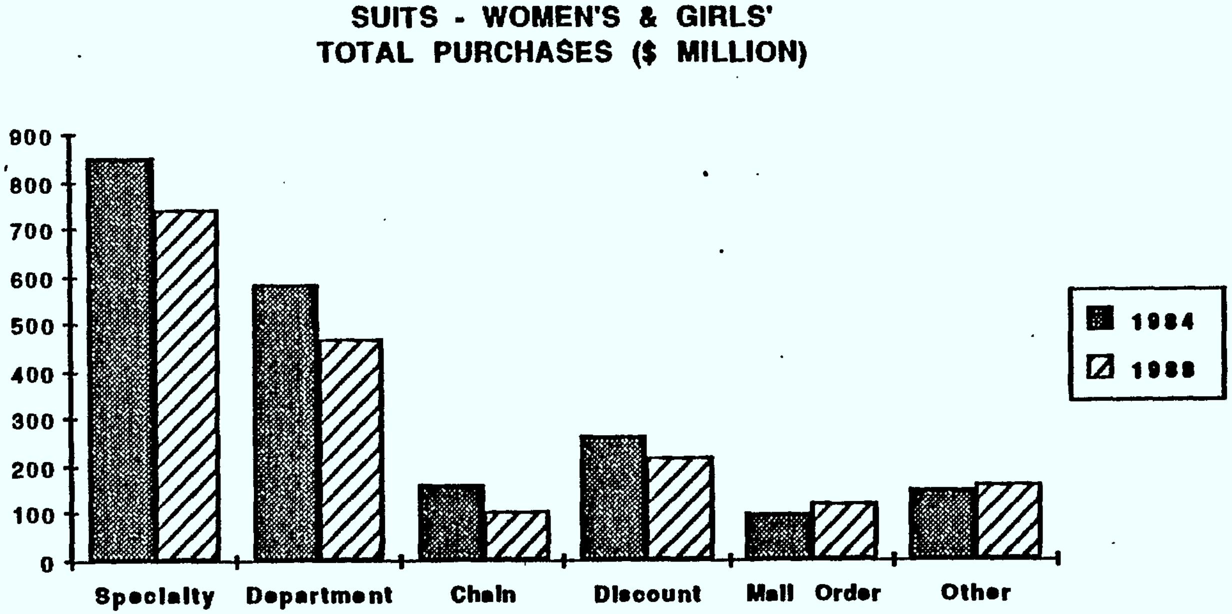
Reflecting the total market, purchases of private label Skirts increased in all channels of distribution.

SKIRTS - WOMEN'S AND GIRLS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

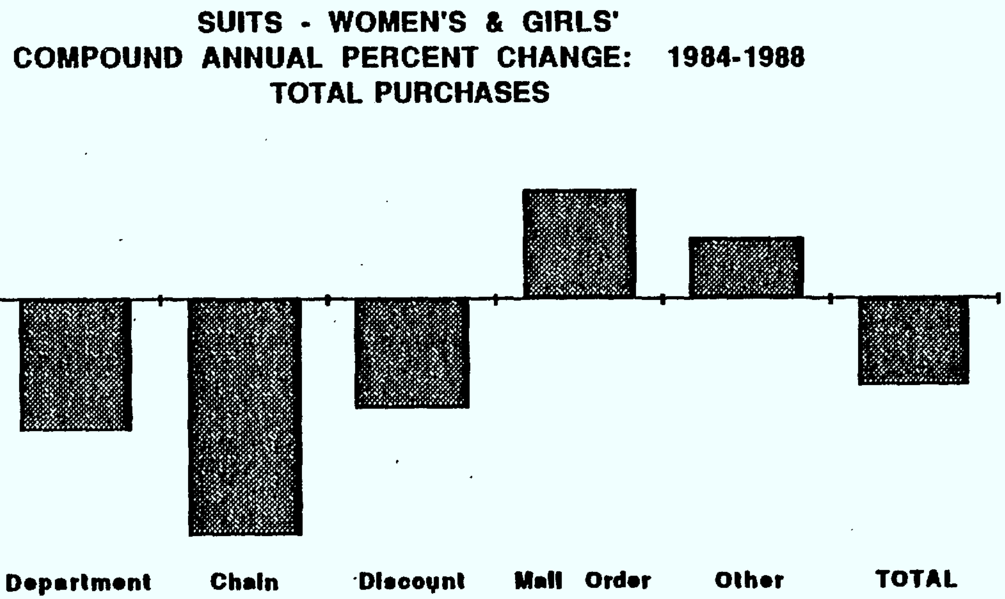
The majority of the decline in Women's/Girl's Suit sales has occurred in Specialty and Department stores.



Source: KSA/NPD Purchase Panel

KSA

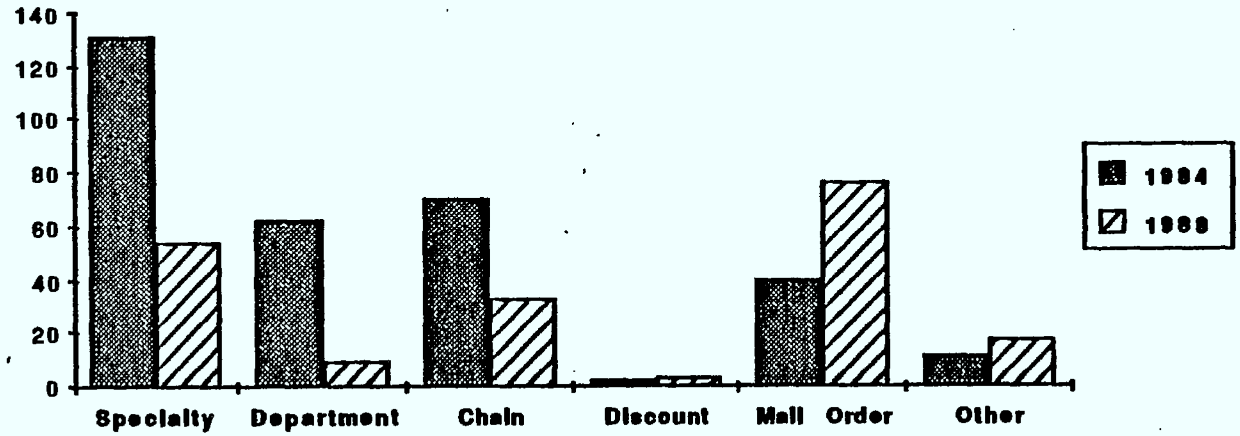
Purchases of Women's and Girls' Suits have declined by approximately 3% annually since 1984, particularly in Chain stores.



Source: KSA/NPD Purchase Panel

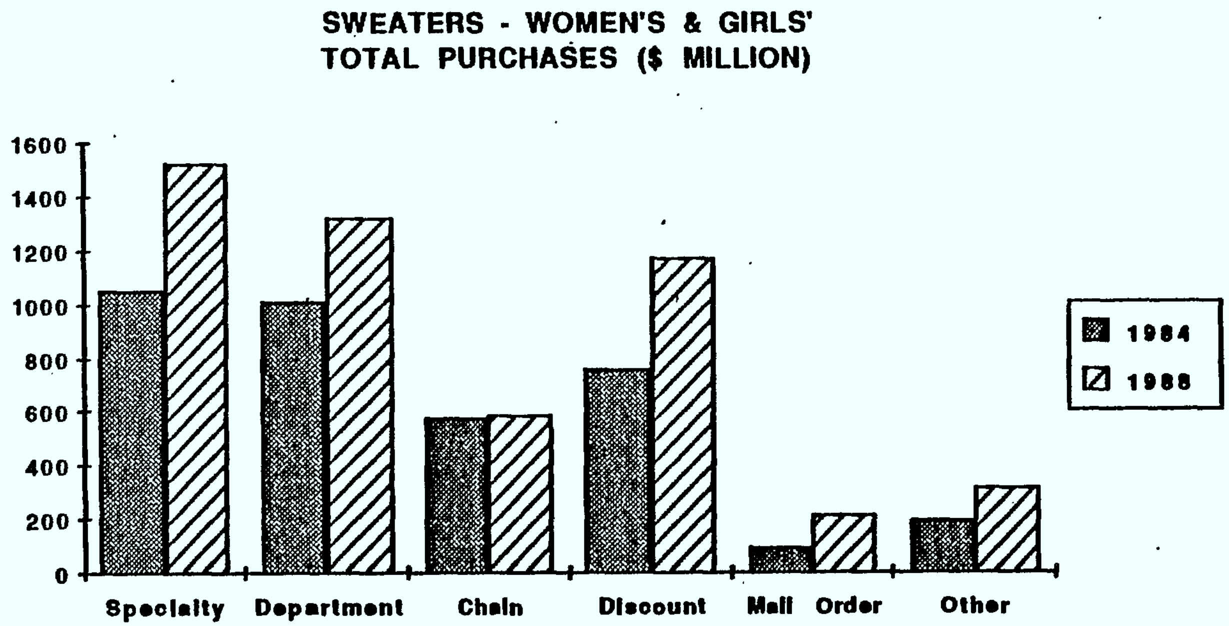
Purchases of private label Women's and Girls' Suits declined more precipitously than the total market. Mail Order was a stable exception where private label accounted for almost all of the channel's growth.

SUITS - WOMEN'S & GIRLS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

With the exception of Chain stores, all distribution channels benefited from the rapid growth in Sweater demand over the past five years.

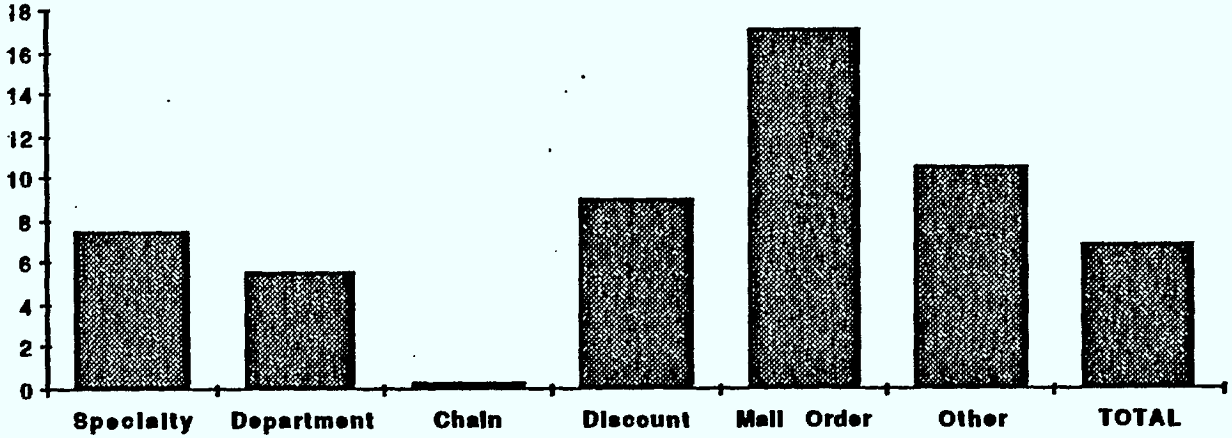


Source: KSA/NPD Purchase Panel

KSA

Consumer purchases of Women's and Girls' Sweaters have grown approximately 7% annually since 1984, with Mail Order experiencing the highest growth.

SWEATERS - WOMEN'S & GIRLS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES

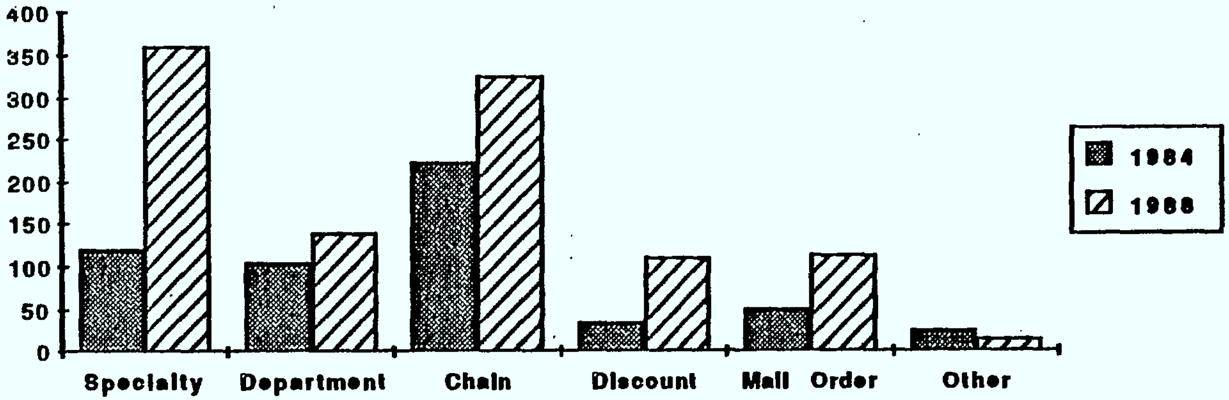


Source: KSA/NPD Purchase Panel

KSA

A significant proportion of incremental Sweater purchases for Women and Girls was private label, as all major channels recorded strong increases.

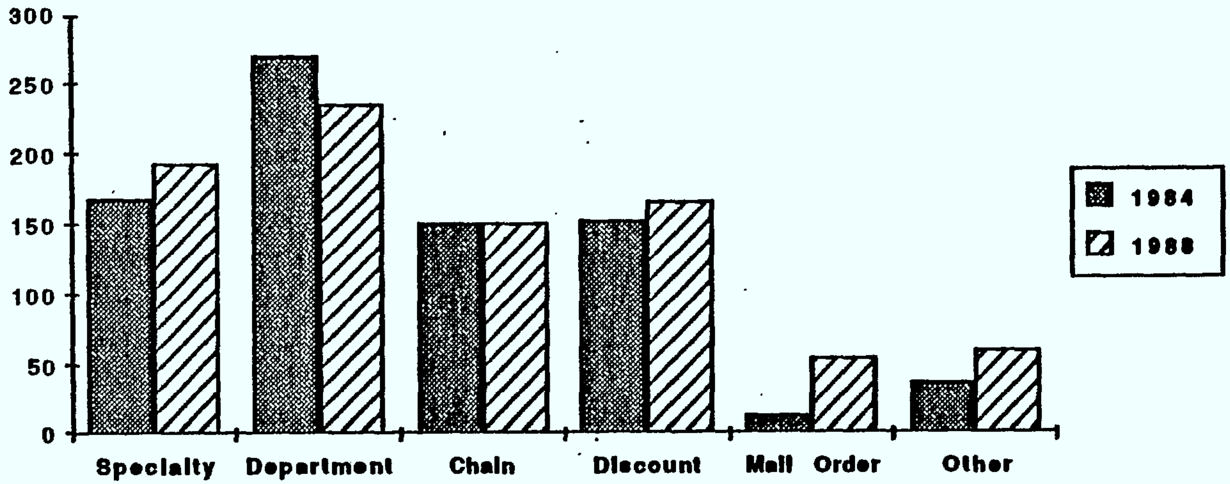
SWEATERS - WOMEN'S & GIRLS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

Department stores maintained their leadership in Women's and Girls' Swimwear although they have lost market share to Specialty stores, Discounters and Mail Order.

SWIMWEAR - WOMEN'S & GIRLS'
TOTAL PURCHASES ($ MILLION)

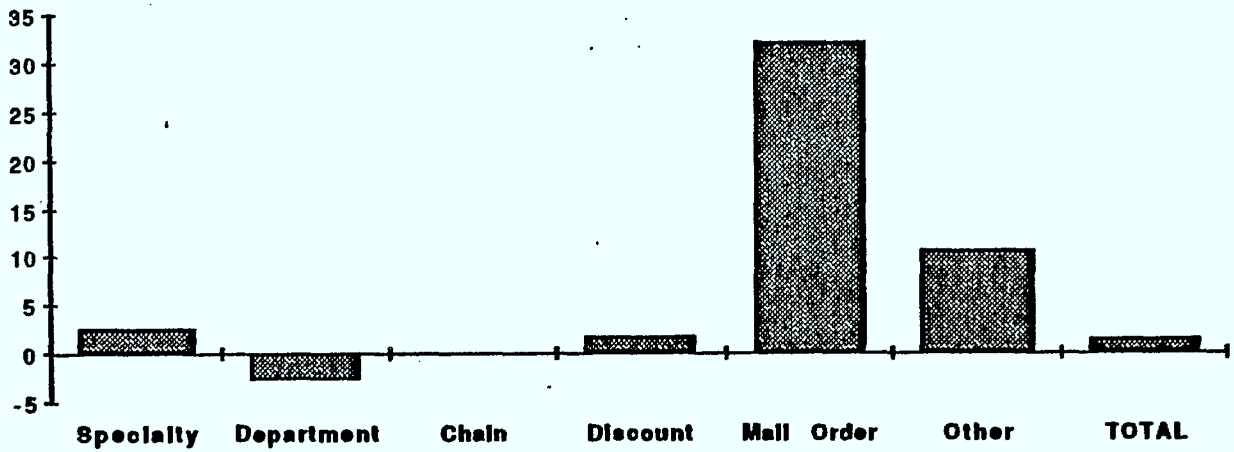


Source: KSA/NPD Purchase Panel

KSA

In total, the annual growth rate of Women's and Girls' Swimwear has been only 1%. In sharp contrast to most other channels, Mail Order's average growth rate was approximately 30% annually - although this was over a small base.

SWIMWEAR - WOMEN'S & GIRLS'
COMPOUND ANNUAL PERCENT CHANGE: 1984-1988
TOTAL PURCHASES

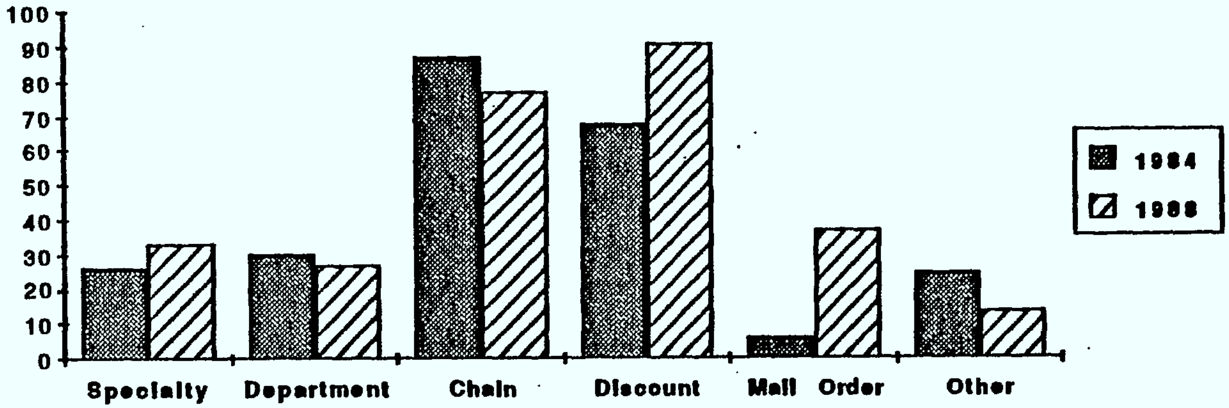


Source: KSA/NPD Purchase Panel

KSA

In a flat overall market private label purchases of Women's and Girls' Swimwear showed solid increases in Discount stores, Mail Order and Specialty stores.

SWIMWEAR - WOMEN'S & GIRLS'
PRIVATE LABEL PURCHASES ($ MILLION)



Source: KSA/NPD Purchase Panel

IV: TRADE ASSOCIATIONS AND STORE DIRECTORIES

STORE DIRECTORIES

- The Salesman's Guide
  1140 Broadway
  New York, NY 10001
  (212) 684-2985

Publisher of

- Sporting Goods Buyers
- Men's and Boys' Wear Buyers
- Women's and Children's Wear Buyers
- Major Mass Market Merchandise
- Buying Offices and Accounts
- Independent Women's Specialty Stores & Boutiques

Also for the New York Metropolitan Area only

- Sportswear
- Dresses
- Infants/Teens
- Mens & Boys
- Intimate Apparel
- Coats & Suits

STORE DIRECTORIES (cont'd)

- Business Guides, Inc.
  425 Park Avenue
  New York, NY 10022
  (212) 371-9400

  Publisher of

  - Directory of Department Stores/Mail Order Firms
  - Women's & Childrens' Wear Specialty Stores
  - Men's & Boys' Wear Specialty Stores
  - Discount Department Stores/Catalog Showrooms

- Value Retail News
  P.O. Box 7870
  St. Petersbury, FL 33734
  (813) 541-6438

  Publisher of

  - The Retail Directory:
    Outlet and Off-Price Stores; Wholesale Clubs

STORE DIRECTORIES (cont'd)

- Phelon Sheldon & Marsar, Inc.
  15 Industrial Avenue
  Fairview, NJ 07022
  (201) 941-8804

  Publisher of

  - Sheldon's Retail Directory of the U.S. and Canada
  - Department Stores
  - Women's Specialty Stores
  - Resident Buying Offices

KSA

V: APPENDIX

LEADING RETAIL COMPANIES
SALES AND EARNINGS

Company	1987 Sales ($000)	1987 Net Income ($000)
Sears Merchandise Group 12/87-D	25,874,700	787,400
K Mart Corp. 01/88-G	25,627,000	692,000
Wal Mart Stores 01/88-G	15,968,470	627,643
J C Penny 12/87-D	15,332,000	608,000
Federated Department Stores 01/88-D*	11,117,840	312,982
Dayton Hudson Corp. 01/88-D	10,677,300	228,400
May Department Stores Co. 01/88-D	10,581,000	444,000
F W Woolworth 01/88-S	7,134,000	285,384
Zayre Corp. 01/88-G**	6,186,476	143,312
Melville Corp. 12/87-D	5,930,283	285,384
Montgomery Ward & Co. 12/87-D	4,639,000	130,000
The Limited 01/88-S	3,527,941	235,188
Toys R Us 01/88-H	3,136,568	203,922
Dillard Department Stores 01/88-D	2,206,347	91,223
U S Shoe Corporation 01/88-S	2,167,554	52,065
Mercantile Stores 01/88-D	2,155,653	129,556
Bradlee's 01/88-C	2,063,539	56,961§
Ames Department Stores 01/88-G	2,056,924	34,157
Nordstrom 01/88-S	1,920,231	92,733
Fred Meyer 01/88-G	1,847,843	32,036
Brown Group 01/88-S	1,678,378	46,853
Hills Department Stores 01/88-G	1,514,329	22,609
McCrory Corp. 01/88-G	1,489,072	-44,175
Rose's Stores 01/88-G	1,336,794	18,095

+ Unavailable; § Operating Earnings; D=Dept. store/diversified; S=Soft lines/specialty stores; H=Hard lines/specialty store; G=General merchandise/discount; C=Conglomerate/multi-industry

* Acquired by Campeau Corp. in 1988

** Acquired by Ames Department Stores in 1988

Company	1987 Sales ($000)	1987 Net Income ($000)
Petrie Stores Corp. 01/88-S	1,241,554	47,543
Hartmarx Corp. 11/87-S	1,080,420	41,265
The Gap 01/88-S	1,062,021	69,595
Carson Pirie Scott & Co. 01/88-D	950,433	-26,695
Edison Brothers Stores 12/87-S	931,000	-12,200
Strawbridge & Clothier 01/88-D	814,313	27,014
Child World 01/88-H	749,127	14,339
Jamesway 01/88-G	713,896	11,603
Charming Shoppes 01/88-S	638,638	42,585
Consolidated Stores 01/88-G	590,704	12,995
Dollar General Corp. 12/87-G	588,436	6,502
Ross Stores 01/88-S	564,419	17,125
Family Dollar Stores 08/87-G	560,339	24,802
Alexander's 07/87-D	522,870	1,314
Burlington Coat Factory 10/87-S	480,718	20,262
Horn & Hardart Company 12.87-D	423,273	9,696
New Process Company 12/87-S	362,576	22,646
Pic N Save Corp. 12/87-G	361,729	47,313
Land's End 01/88-S	336,291	22,805
Oshman's Sporting Goods 01/88-H	332,735	3,585
Jacobson Stores 01/88-D	326,672	10,542
House of Fabrics 01/88-S	322,480	10,501
S E Nichols 01/88-G	301,789	-1,940
Baddour 12/87-G	290,629	-6,920
C M L Group 07/87-D	282,972	9,035
D H Holmes 01/88-D***	274,929	1,554
Fabri-Centers of America 01/88-S	266,676	-4,909

+ Unavailable; § Operating Earnings; D=Dept. store/diversified; S=Soft lines/specialty stores; H=Hard lines/specialty store; G=General merchandise/discount; C=Conglomerate/multi-industry

*** Acquired by Dillard Department Stores in 1980

Company	1987 Sales ($000)	1987 Net Income ($000)
Syms Corp. 12/87-S	256,756	17,780
Merry-Go-Round 01/88-S	255,190	10,080
J G Industries 01/88-D	231,050	2,005
Sprouse Reitz Stores 01/88-G	218,578	1,349
J Baker 01/88-S	200,680	7,466
Deb Shops 01/88-S	198,447	11,953
The Cato Corporation 01/88-S	197,124	2,174
Paul Harris Stores 01/88-S	190,242	4,750
Zions Cooperative 01/88-D	184,158	-163
Clothestime 01/88-S	178,695	6,509
Dress Barn 07/87-S	173,671	12,908
Michaels Stores 01/88-S	167,186	4,897
Gottschalks 01/88-D	156,623	5,648
Stuarts Department Stores 01/88-G	130,747	585
Claire's Stores 01/88-S	103,404	6,230
Mars Stores 01/88-G	100,155	-7,231

+ Unavailable; § Operating Earnings; D=Dept. store/diversified; S=Soft lines/specialty stores; H=Hard lines/specialty store; G=General merchandise/discount; C=Conglomerate/multi-industry

Note: Because of partial-year data due to a restructuring plan, Carter Hawley Hale Stores was not included.

DATE DUE - DATE DE RETOUR

JUL 22 1999	

ISTC 1551 (2/90)