



The Chartered
Institute of Marketing

Case Study

December 2003

Strategic Marketing Management: Analysis & Decision

Reiss

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Important Notes for Candidates

The examiners will be marking your scripts on the basis of questions put to you in the examination room. Candidates are advised to pay particular attention to the *mark allocation on the examination paper and budget their time accordingly.*

Your role is outlined in the candidates' brief and you will be required to recommend clear courses of action.

You WILL NOT be awarded marks merely for analysis. This should have been undertaken before the examination day in preparation for meeting the tasks which will be specified in the examination paper.

Candidates are advised not to waste valuable time collecting unnecessary data. The cases are based upon real world situations. No useful purpose will therefore be served by contacting companies in this industry and candidates are **strictly instructed not to do so as it may cause unnecessary confusion.**

As in real life, anomalies will be found in the information provided within this case. Please simply state your assumptions where necessary when answering questions. The CIM is not in a position to answer queries on case data. Candidates are tested on their overall understanding of the case and its key issues, not on minor details. There are no catch questions or hidden agendas.

Additional information will be introduced in the examination paper itself, which candidates must take into account when answering the questions set.

Acquaint yourself thoroughly with the case study and be prepared to follow closely the instructions given to you on the examination day. To answer examination questions effectively candidates must adopt a report format.

The copying of pre-prepared "group" answers, including those written by consultants/tutors, is strictly forbidden and will be penalised by failure. The questions will demand analysis in the examination itself and individually composed answers are required to pass.

Candidate's Brief

You have been appointed as a Marketing Consultant to the Senior Management Team at Reiss. Reiss have recently more than doubled the size of their retail operations by entering the lucrative womenswear sector of the clothing market in September 2000. In 2002 they opened their first international store in Dublin, and they are using this operation as a test-bed for further expansion internationally. The company considers itself to have a unique place in the market being a “bridging brand” between high priced designer labels and lower priced mass-market clothing brands. Fashion markets are notoriously fickle and consumers have become more demanding, expecting value for money with design led fashion. Parents dress more like their children these days than like their own parents at their age, and lifestyle is often more important than age in targeting fashion markets. As a consequence traditional market segmentation is more difficult to apply in this market. Reiss realise that they are only just beginning to move towards their long-term goal of establishing the brand internationally as well as in the UK. Careful planning, investment in design, product development, purchasing, production and supply management, merchandising, store environments and marketing are the keys to their success. During the past six months a graduate employed by the company prepared the attached report on the fashion industry, Reiss, and its recent developments. You have been asked to prepare for detailed questions about future marketing strategies posed by the Senior Management Team at a meeting on the 5th December 2003.

Important Notice

This case material is based on an actual organisation and existing market conditions.

Candidates are strictly instructed NOT TO CONTACT Reiss or any other companies in the industry. Additional information will be provided at the time of the examination. Further copies may be obtained from The Chartered Institute of Marketing, Moor Hall, Cookham, Maidenhead, Berkshire, SL6 9QH, UK or may be downloaded from the CIM student web site www.cimvirtualinstitute.com

Reiss

Reiss is a retailer of “own brand” quality fashion menswear and womenswear. It is a profitable company that established itself in London and the South East in the 1970s. During the past five years the company has grown organically and rapidly. In 2000, Reiss developed a womenswear brand to complement the long established menswear brand. The entrepreneurial owner David Reiss is the driving force behind the business.

This report begins by explaining the company and its development and the fashion industry context before discussing the designerwear market in more detail.

Reiss the Entrepreneur

David Reiss was born in London in the 1950s. He took over his father’s business (wholesaling menswear) in the early 1970s and for some time owned a factory in Yorkshire where he produced his own collection. It was in 1980 that the first Reiss store opened on the King’s Road, Chelsea, and it proved an immediate hit with customers. Reiss continued to open new stores in the 1980s and sold a mixture of wholesale garments and his own designed collection.

In 1987 the emphasis switched completely to retailing collections designed in-house. This was a bold move; one which David thought would guarantee the future. Establishing and developing a brand was important for Reiss. However, the final years of the decade became turbulent times for all retailers, and the recession that hit the high street hard led to a rationalisation of the company and its structure. Inventory control, careful buying, and cash flow management were essential to the survival of the business and for building a solid base for the future. Today the company has a wholesale side, 25 retail stores, and owns some prime city-centre properties. In 1997 David won the Menswear/FHM Retailer of the Year Award, and Reiss received “highly commended” from readers of Maxim in their 2001 style awards.

David’s vision, energy, imagination, flair and creative abilities have driven the business forward in a determined manner. In 1998 David recognised the opportunity in the fashion market between the high street and the international designer brands and decided to target this gap. The strategy proved so successful he decided it was time to fulfil the same niche role in the womenswear market. An external agency helped to gather market research information prior to the launch of the womenswear brand.

Reiss the Stores

From its roots selling Italian suits in 1971, essentially over the next 25 years Reiss remained a small menswear business, although a number of new stores were added. With the opening of the Bond Street Store in London in 1997 the business entered a period of rapid growth and change. There were four new store openings in 1998 in Newcastle-upon-Tyne, Brighton, Trafford Park (Manchester), and Hampstead (London), and three additional stores were added in 1999 at the Bluewater Shopping Centre (just outside London), Nottingham, and Glasgow, Royal Exchange.

In 2000 Reiss made a radical departure from its roots in menswear and entered the highly competitive and lucrative womenswear market for the first time. Following significant investment in a womenswear division, womenswear was introduced into 13 of the company's 19 stores in September 2000. Womenswear accounted for 21 per cent of turnover in 2001 and increased to around 30 per cent by the end of 2002, (see Appendix 1 for financial summaries). With the successful launch of its womenswear brand, Reiss opened its Central London flagship store at Kent House, Market Place, spanning three floors with over 6,000 square feet of selling space. This was a significant step in raising the profile and perception of the Reiss brand. More store openings followed in major city locations and the first non-UK store, Dublin, was added in 2002. Three concessions were added in 2002, selling Reiss products through House of Fraser Stores at Bluewater, Glasgow and Birmingham. A fourth concession at House of Fraser (King William Street, London) was added in 2003.

During the last three years Reiss has worked with London architects Lever and Hopley to completely redesign the stores' image to project a fresh, modern style (see Appendix 4 showing Reiss stores). With all clothing and accessories designed in-house, the clothing, graphics, displays and interiors can achieve continuity and directness in design. The signature style mixes rough with smooth, creating an urban look – sandblasted walls set against smooth steel, floating oak and steel staircases, limestone floors, clear and sandblasted glass, exposed steel rafters and raw steel tables. These are combined with geometric form wall openings, counters in pebble resin, and floating wall mountings with glowing surrounds. Each store retains original features where possible to combine character with clean, modern styling. Historical stores include Glasgow, which is in a Grade 1 listed building spanning three floors, including an original Victorian staircase restored to its original shape and structure. Nottingham is also a Grade 1 listed building, formerly a dining hall for 19th Century lace workers. The original wrought-iron glazed roof and the Gothic arched frontage were fully restored. The Liverpool store, situated in the heart of the Cavern Quarter, features an impressive five-metre-high doorway, structurally cut into the building to expose both floors, and making the second floor appear to be suspended.

Table 1. – Reiss Stores, August 2003

Number	Name	Date Opened	Square Footage
001	King's Road	1977	3,680
002	Birmingham	1979	Relocated
004	Manchester King Street	1984	2,163
005	Long Acre	1985	3,612
009	Glasgow Princes Square	1988	925
007	Bond Street	1997	3,292
008	Newcastle	1998	2,052
010	Brighton	1998	1,219
011	Trafford Park	1998	1,743
012	Hampstead	1998	1,505
013	Bluewater	1999	1,722
014	Nottingham	1999	4,767
015	Glasgow Royal Exchange	1999	2,755
016	Kent House	2000	6,147
017	Liverpool	2001	1,800
018	Chester	2001	2,701
033	Lowry	2001	1,800
032	Livingston	2002	1,148
790	House of Fraser Glasgow©	2002	500
791	House of Fraser Bluewater©	2002	800
792	House of Fraser Rackhams©	2002	450
019	Cambridge	2002	2,000
020	Kingston	2002	2,000
021	Regent Street	2002	3,000
400	Dublin	2002	3,000
022	Leeds	2003	3,200
023	Manchester Shambles	2003	4,000
024	Birmingham	2003	4,000
025	Broadgate	2003	1,100
026	Canary Wharf	2003	3,000

© = concessions

Source: Company files

Thirteen stores have been opened in the past three years, together with the three concessions in House of Fraser. Guildford is the latest new store to open in 2003, bringing the total to fourteen in three years. Store development and visual marketing remain a priority in the progression of the Reiss business.

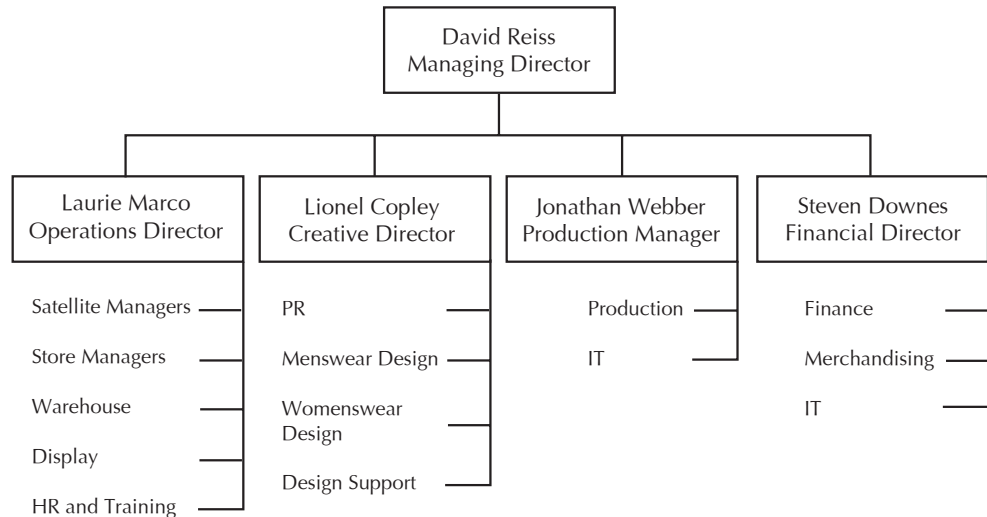
Improvements have continued in 2003 with significant increases in trade. Also the product range in both menswear and womenswear is expanding to include accessories. Turnover in 1999 was around £17 million, and is forecast to be £35 million in 2003. The company is now poised to capitalise on its market domestically and internationally.

Reiss ceased wholesaling in 2001, enabling the company to have complete control over where its clothes are sold and also to give total commitment to the expansion of the retail division.

The Management Structure

The rapid expansion of the business in the past three years has led the company to develop a professional management team that can take the business forward to its next stage of growth. Figure 1 gives details of the new management structure.

Figure 1.



Source: Company files

Steven Downes, Financial Director (FD), has wider responsibilities than one might expect of the traditional FD. One important function that Steven manages is merchandising. Essentially this function is key to managing retail stocks and product throughput. The Merchandising Department was established in 2003 and has had a significant impact on improving the flow and management of the product in the business. Sales volumes and margins have improved and inventories have lowered substantially in the last year. In the coming year the intention is to focus management effort on reviewing stock levels at stores relative to space and store turnover.

Merchandising is a critical role for most fashion retailers. The preparation of seasonal buying plans with other key members of the team through thorough analysis of historical sales data and an understanding of future trends is key. Retailers must establish Key Performance Indicators (KPIs) that cover sales, stock intake phasing, margins, stock-turn, mark-down and terminal stock. Monitoring trading and in-season changes requires attention if retailers are to maximise profitability and reduce risks.

The rapid growth of the management team has put a premium on office space inside Reiss, and the plan is to move to new offices at Oxford Circus, located beneath the Kent House store in January 2004. The possible synergies from the interaction of different departments are expected to bring a number of benefits. It is envisaged that the move will help the business to develop and improve its internal communications. Having staff located in one place will mean that meetings can take place on a single site and people will be available. It may also help the creative processes become more effective.

Jonathan Webber is the Production Manager and his job entails turning a designer's sketch into the finished products that are delivered to the warehouse. The product then becomes the responsibility of the Operations Director, who gets the products to the stores. Designers primarily source the fabric for a style they have in mind. However, the Production Manager often has to cross-source the fabric as designers are usually not very commercially aware. This is an important decision in developing fashion products because the price at which fabrics can be bought determines the price points retailers set in store. Fabrics are sourced from a variety of countries, depending on the properties of the particular fabric required. China (including Hong Kong), South Korea, Japan, Romania, Italy and Turkey are regular sourcing destinations. Turkey, for example, has moved up the scale in terms of cotton fabric supply in recent months. Previously these cotton fabrics would probably have been sourced from Italian mills, who may have in turn sub-contracted the work to Turkish mills. Where possible Reiss go direct to Turkey and avoid the "Italian middle-man". Nevertheless, fabric is really the domain of the Italians when it comes to the special fabrics, fabrics with special treatments and finishes that Reiss requires for its "edgy fashion". For example, bonded fabrics would be bought from Italy. Double twisted ("doppio retorto") fabrics to accommodate and minimise perspiration would be supplied from Italy. Standard cottons can be obtained anywhere, and the Italians tend to go to Turkey or China and buy it in to supply rather than produce it themselves. It is not simply specially treated fabrics but the size of fabric order that is an important constraint on sourcing. Asia Pacific fabric suppliers only wish to supply 2,000-3,000 metres of fabric as a minimum quantity. For some lines Reiss is able to meet these minimum order quantities, but only when the fabric can be shared across mens' and womenswear, covering two or three styles in two or three colours. However, this is a rarity.

Unlike many large clothing retailers, Reiss does not have many continuity lines that repeat season in and season out. As a consequence they do not tend to buy large quantities of "greige" fabric, which is what some larger retailers tend to do with the aim of printing designs and colours when demand is known. It is easy to do this if the fabric itself is relatively less important. Reiss however does not tend to buy the same fabrics continuously because they are a fashion company trading designerwear, and pride themselves on offering the customer something new in terms of style, colour and fabrics. The fashion in fabrics changes over time. For Reiss, greige fabric would not exceed 10 per cent of its total fabric purchases.

Trims are another important aspect of purchasing for Reiss. Trims are the responsibility of one specialist inside the business who sources for both mens and womenswear. Although trims are small, they are a major part of a fashion garment. If the trim is wrong it will prevent the sale and if it is right it can help sell it. Womenswear is significantly more trim orientated than menswear. Reiss has had to develop and learn to manage this important aspect, especially since entering the womenswear market. It is another consideration when planning production.

One of the biggest influences affecting sourcing is exchange rates. If the exchange rate deteriorates between the placing of an order and the receipt of finished garments, it adversely impacts upon cost and hence the forecast profit margins. With the opening of its Dublin store Reiss will also need to monitor the effect of exchange rates on its retailing activities.

The Fashion Industry Context

The fashion industry at retail value in 2002 was worth £26 billion in the UK, excluding footwear and leather (footwear and leather goods account for nearly £4 billion). European apparel was worth €324 billion and \$314 billion in the USA in 2002. Retail supply chains span the globe in the search for the right fabrics, trims, and for the manufacturers who can deliver the right products, at the right price, at the right time. In the UK the fashion industry accounts for around 7 per cent of the Gross Domestic Product (GDP).

The fashion industry is notoriously fickle. A glance at the daily newspapers and trade press will indicate just how fickle fashion can be. Lead times in sourcing and production inevitably create their own pressures, adding to the uncertainty of a highly risky retail environment. Time to market can be critical. Whenever sales fall retailers provide a list of reasons why they have not been as successful in selling this season's ranges. Weather is nearly always top of this list. For example, worse than expected weather during a summer season can lead to a fall in sales of light summer clothing, or a warmer than expected autumn period can lead to a downturn in the sale of autumn and winter outerwear ranges. There are also differences in purchases by country and by region, owing to external factors other than mere fashion trends. For example, London accounts for a substantial proportion of total expenditure on formal wear, suits, overcoats, hats, gloves, ties and traditional leather shoes. A partial explanation for this might be found in the large numbers of people employed in professional offices travelling by public transport. In provincial cities, where more people tend to travel by car, the need for overcoats, hats and gloves is lower than that demanded in London. Additionally, retailers who have tried to expand their business to international locations have to be sure that they understand the market drivers behind the purchases. Southern Europe, where climates are generally warmer, may not appreciate the ranges that a retail store in Glasgow or Edinburgh would offer! Demographic trends and physical attributes also contribute to the complexity experienced by the fashion retailer. Average shirt collar sizes, waistlines, chest sizes and leg length have all become bigger in the UK since the 1960s. The UK population has grown by around 10 million since 1960, and the make-up of that population has changed over time. People live longer and the numbers over the age of fifty is set to increase to over 50 per cent by 2020. All of these factors contribute to the changing nature of fashion and retailing.

Table 2. – Size of Apparel Segments in the UK 1997 (£m)

Women's outerwear	11,785	
Lingerie	1,675	
Hosiery	508	
Womenswear total	13,968	56.60%
Men's outerwear	6,036	
Men's underwear	610	
Menswear total	6,646	26.93%
Childrenswear	4,064	16.47%
Total	24,678	100.00%

Source: UK Fashion Report, EMAP/MTI 1999

Table 2 gives an indication of the size of particular market segments, split between women and menswear in 1997. The womenswear segment is more than double the size of menswear. This is an interesting statistic because more men are in employment and generally male disposable income is higher.

Within the UK, clothing retailing is highly concentrated in the hands of a small number of large retail chains who dominate the market (see Table 3). The so called "middle market" in particular has been saturated in recent years, with too many retailers chasing the same customers, with very little difference in the product offer apart from price. As a consequence some high profile "exits" from the high street have occurred (C&A, Littlewoods), whilst some new entrants from international retailers (Zara, Mango, Hennes & Mauritz), and non-traditional retail sectors such as supermarket chains (George at Asda Wal-Mart, Tesco and Sainsbury), have developed their clothing offers. Nevertheless, other specialists, including independent retail outlets, still accounted for 26 per cent of the market. Reiss is a retailer that falls into this latter category.

Table 3.**UK Clothing Market Shares 1999**

Specialist Retailers	(%)
Marks and Spencer	11.00
Arcadia	8.20
Next	4.50
C&A*	2.20
BhS	2.20
New Look	1.60
Matalan	1.30
Littlewoods*	1.10
River Island	1.10
Gap	0.90
Etam	0.80
Monsoon	0.60
Oasis	0.50
Austin Reed	0.40
Others	26.00
Total Specialists	62.40

Source: EMAP/E-business

* These two retailers exited from the UK High Street market in 2000 after many years.

The smaller independent retailers face a number of challenges. They do not generally have large selling spaces by comparison with their large counterparts, and as a consequence they find it difficult to achieve any economies of scale. In fact they may suffer from quite the reverse. These firms have to make decisions about merchandise that determine and define their market position more clearly. For example, should they offer established designer brands, and more importantly, will the brand allow them to? If they choose this route they may be constrained by the brands in terms of promotion, pricing, products, and how and what they can sell. Should they offer non-branded goods? Should they contract their own clothing ranges? Should they establish their own brand label? There are no easy answers to these questions.

Total UK Clothing Market

All Retailers	(%)
Specialists	62.40
Grocers (Supermarkets)	4.90
Department Stores	12.30
Mail Order	12.30
Other	8.10
Total	100.00

Source: Verdict/E-business

The Specific Market Sector – Designerwear in the UK

Designerwear is defined as haute couture and diffusion, off-the-peg ranges, where usually the label is a designer name. The latter are often called “bridge collections”. This report focuses on the latter category, where Reiss is competing with other bridge collections. Designerwear products are priced at a premium and consumers are more likely to buy such items when levels of discretionary income are high. In this respect a rise in the number of working women (from 12.04 million in 1997 to 12.74 million in 2001, a rise of almost 6%) has contributed significantly to the recent growth of this sector. The most fashion-conscious age group are the 15-24 year olds. This age group is forecast to expand by 7% between 2001 and 2006 (Mintel, 2002). The number of 55-64 year olds is also set to grow, but this group have more traditional tastes that may impact negatively on the designerwear market unless the products offered meet the needs of these customers as they experience a different lifestage.

The UK designerwear market is highly fragmented in nature, represented by a large number of small players and relatively few large suppliers. According to Mintel (2002), the ten most desirable brands are in rank order: Calvin Klein (26%), Giorgio Armani (26%), Gucci (25%), Versace (18%), Christian Dior (15%), Ralph Lauren/Polo (15%), Burberry (14%), Hugo Boss (13%), Yves St Laurent (13%), and Chanel (11%).

In recent years designers have been prepared to extend their market coverage by entering partnerships with retail stores. Debenhams was the first store to enter agreements with 26 designers under its “Designers at Debenhams” initiative. Marks and Spencer (M&S) launched the “Autograph” collection in February 2000, hoping to emulate the success of Debenhams and recapture some of its lost market with designers such as Betty Jackson (womenswear) and Timothy Everest (menswear). M&S also launched “Per Una” in partnership with George Davis. These initiatives have broadened the appeal of designerwear and the retail partnerships have made the clothes more accessible.

A number of key factors influence the size and structure of the UK market for designerwear. Demographic, social and economic factors, as well as fashion trends, play a large part, as do availability of product, pricing, and advances in retail distribution.

Demographic Trends

According to the Office of National Statistics (ONS) data and Mintel, the working population is increasing whilst the number of people unemployed is falling and will remain low in the foreseeable future. Steady growth in the numbers of women in employment has led to greater financial independence, and more women are in professional employment where they need to wear smart clothing. Women as a grouping also tend to spend more on clothing and have a higher propensity than their male counterparts to spend on fashion. Working women are often time-poor, which leads to a boost in retail activity at the outlets most convenient to shop at. This includes supermarkets, some of which now open 24 hours a day. Convenience and availability are paramount to women when purchasing clothes.

Table 4. – Workforce in Employment in the UK, by Gender and Employment Level, 1997-2006

	Men m	%	Women m	%	Total m	Index	Unemployed m	Index
1997	14.99	55	12.04	45	27.07	100	2.09	100
1998	15.19	56	12.13	45	27.32	101	1.83	88
1999	15.33	55	12.32	45	27.64	102	1.81	87
2000	15.53	55	12.47	45	27.99	103	1.70	81
2001	15.66	55	12.74	45	28.41	105	1.50	72
2003 (est)	15.62	55	12.87	45	28.49	105	1.65	79
2006 (proj)	15.85	55	13.07	45	28.92	107	1.60	77

(Data may not equal totals due to rounding.)

Source: National Statistics/Mintel

Table 4 indicates that the workforce is composed of 55 per cent men and 45 per cent women. Unemployment was at its lowest level for five years in 2001, and the numbers in employment rose by 5 per cent over the period, with female employment rising at a faster rate than male employment. This is good news for fashion retailers whose market is dominated by female expenditure. More women in work increases the demand for smarter, more fashionable, workwear as well as leisurewear. Consumer expenditure surveys show that women are more inclined to spend their income on designerwear than their male colleagues, although younger males spend more than their older colleagues. One consequence is that the increase in the number of women working will have a positive effect on the designerwear market. Table 5 shows the number of young people in the age band 15-24 year old is set to rise by 7 per cent between 2001-2006, and it is widely reported that this group are more likely to spend a higher proportion of their income on branded fashionwear.

Table 5. – Trends and Projections in UK Adult Population, by Age Group, 1997-2006

	1997 000	%	2001 000	%	2006 (proj) 000	%	% change 1997-2001	% change 2001-06
15-19	3,602	8	3,727	8	3,995	8	+3	+7
20-24	3,628	8	3,635	7	3,903	8	-	+7
25-34	9,360	20	8,679	18	7,857	16	-7	-9
35-44	8,294	17	9,213	19	9,645	19	+11	+5
45-54	7,696	16	7,877	16	8,028	16	+2	+2
55-64	5,783	12	6,248	13	7,229	14	+8	+16
65+	9,272	19	9,369	19	9,585	19	+1	+2
Total	47,635	100	48,747	100	50,239	100	+2	+3

(Data may not equal totals due to rounding.)

Source: National Statistics/GAD/Mintel

Social and Economic Change

Consumer behaviour is constantly changing. Personal Disposable Income (PDI) rose by 11% between 1997 and 2001, and there is a further projected increase of 13% between 2001 and 2006 according to Mintel (2002). PDI is the greatest influence on people's propensity to spend. PDI generates a "feel good factor". For example, if mortgage payments reduce, payments on loans reduce, taxes reduce, and incomes rise, people feel happier about spending more. As Table 6 indicates, PDI increased by 11 per cent between 1997 and 2001 and consumer expenditure grew by 16 per cent.

Table 6. – PDI and Consumer Expenditure, 1997-2006

	PDI at 1997 Prices £bn	Index	Consumer Expenditure at 1997 Prices £bn	Index	Savings Ratio %
1997	577.6	100	523.0	100	9.5
1998	575.9	100	542.6	104	5.7
1999	594.5	103	566.2	108	4.8
2000	619.5	107	587.9	112	5.0
2001	641.1	111	605.3	116	5.1
2003 (est)	672.3	116	634.1	121	6.6
2006 (proj)	722.5	125	683.5	131	5.6

Source: National Statistics/Mintel

As PDI rises there has also been a trend for people to want to spend more on themselves. This is good news for fashion retailers because they become beneficiaries of the trend. People have a tendency to want to trade up when they have more disposable income, and they spend more on branded fashionwear. Consumers are spending rather than saving, and many spend beyond their current PDI using credit cards and other loans when they "feel good" about their current position.

People also spend more on leisure than their counterparts in earlier generations. For example, people generally spend more time and disposable income on holidays (including short-breaks), eating out, shopping, and going out generally than previous generations did.

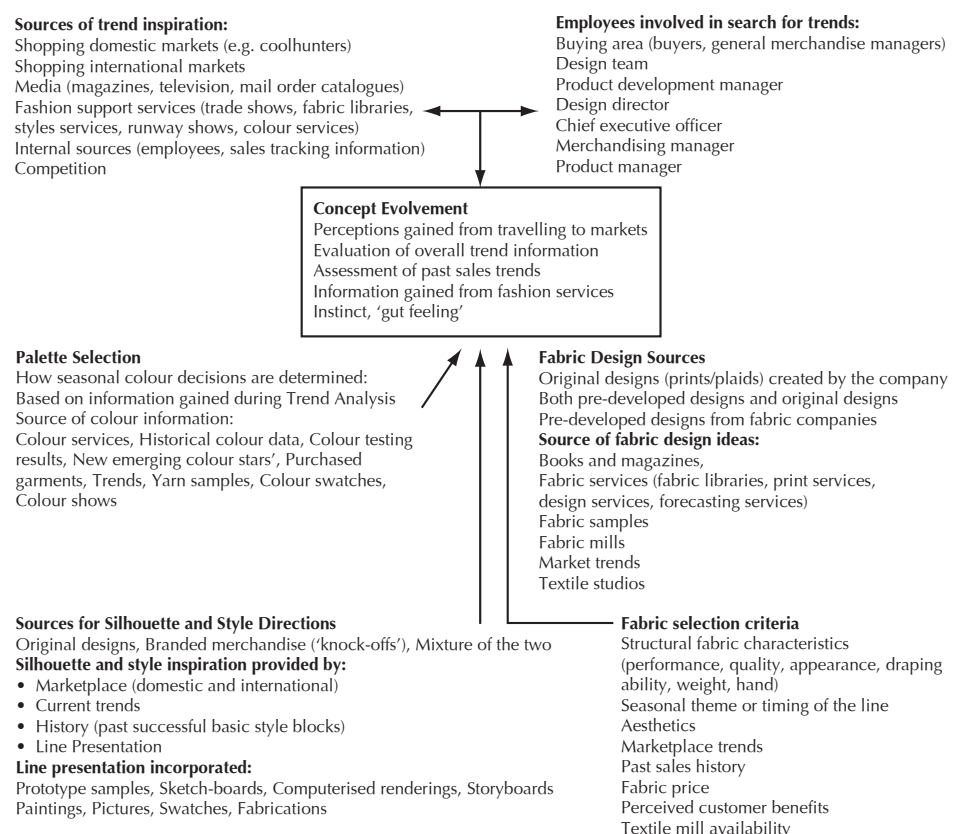
Fashion Trends

Each new collection of branded fashion garments is created to satisfy a predicted target consumer demand. Consumer demand predictions are based on target market research, past sales analysis, and input from experienced product merchandisers, designers and buyers. The collections are influenced by trends observed in fashions (e.g. textiles, shoes, accessories, home furnishings), and other fashion related industries (e.g. automobiles, music, entertainment, sports, leisure activities), as well as wider environmental movements (e.g. political, social, cultural, ecological, technological, economic). All of these elements combine to help determine concepts and themes for a new season. Relevant textile materials, colour palettes and silhouettes are developed and selected accordingly. Trims and details are added as further embellishments to the garment. These former and latter design elements are co-ordinated and grouped into product lines that meet cost, production and delivery time requirements.

The introduction of new colours and styles by designers is critical in maintaining consumers' interest in keeping up with the latest fashion and hence encouraging spending. From spring 1996 to summer 1999 there was little change in styling, with urban and minimalist trends dominant. This together with a predominantly dark colour palette did little to stimulate the market according to Mintel (2002).

The product development process is complex. Figure 2 illustrates typical sources and criteria for various decisions in developing a concept. Once a concept has been developed this is only the beginning. Lines then need selection and approval before they are fully developed for ranges in the retail store.

Figure 2.



Final line decisions are based on:

- Saleability judgements.
- Testing results.
- Perceived customer reaction.
- Cost.
- Selling history.
- Co-ordination with other apparel product groups.
- Marketplace trends.
- Other factors such as newness, variety, lead time, quality, colour, instinct or “gut feeling” as it is often expressed by people in the industry.

The current trend in womenswear towards “mixing and matching” garments, means that women are buying designer items and complementing them with high street brands, to make their appearance casually formal. As a consequence, clothing accessories are experiencing a dramatic increase in sales, as women buy them to enhance and complement their outerwear.

During the latter part of the 1990s there was a noticeable move towards casual clothing. There was also a relaxation in office dress codes. Men are increasingly looking for greater flexibility and a certain amount of mixing and matching takes place similar to the womenswear market. No longer is a white shirt the only accepted office shirt. There has also been a discernable trend in the decline of formal wear. There is a wider acceptance of different and brighter-coloured shirts within the workplace. Trends in the rest of Europe have led the way, whereby a greater variety of colours have been acceptable for many years as a means of individual self-expression.

Other Fashion Influencers

One of the greatest influences on fashion during the last decade has been the proliferation of magazine titles, particularly in the target group aged 25-34. Male magazines such as *Loaded*, *Maxim*, *FHM* and *GQ* have led the way. It is offered as one reason why younger men have become more fashion and brand conscious. There have also been a number women’s magazine titles launched, with fashion-oriented titles such as *Glamour* and *In Style* providing further avenues for advertising, editorial review and promotion. Fashion promotion through the media is very important for retail brands.

A further important influence, particularly in the younger age groups (apart from peer pressure) has been celebrity endorsement. Film stars, pop idols and sports stars have become fashion leaders. In some cases, for example David Beckham, the soccer star has become a fashion icon. Magazines such as *Hello!* and *OK!* run numerous stories on the personal lives of these celebrities, with accompanying pictorial imagery. These lifestyle magazines have become influential in what people wear and want to wear.

Fashion has also become more widely available. More retailers sell fashion, even in the mass-market, which was once the province of commodity clothiers. There is more square footage devoted to fashion and there are more places to buy. The rise in the number of designer factory outlets has made designerwear more accessible to the public at large. Often these designer retail outlets offer end of line or seconds stock at a discount. Discounts vary, but typically the product will be sold at 60-70 per cent of the full price. Attractive prices, ease of accessibility, and free parking make these retail outlets particularly attractive to consumers. In 2000 there were 34 factory outlet schemes operating in the UK, offering over 400,000 sq m of selling space. There are also large retail parks located on the fringe of large cities or conurbations like Trafford Park in Manchester and Bluewater in Kent. These retail parks offer a variety of designerwear amongst a much larger clothing and non-clothing offering. Many of these retail outlets offer consumers a different shopping experience from traditional stores. Family shopping visits and even days out are planned around these venues.

Even market traders offer designerwear. Some of this may be genuine, acquired legitimately on the “grey market” whilst some of it may be illegal, counterfeit products. The Anti-Counterfeiting Group (ACG) estimated the loss to brand owners to be in the region of £3 billion in 2000. Brand owners are not simply concerned about lost sales revenue, but also the damage that these products might do in tarnishing the brand image. Anecdotal reports from some lesser developed countries cite incidents where a customer can enter the store, purchase an item of clothing, and be asked the question “which brand logo would you like to have on it?”. In the UK, market Trading Standard Officers from the local authorities remain vigilant to the problem, and it is likely to be less of a problem in the UK than elsewhere.

Fabric trends also help in the development of new fashionwear. For example, Du Pont has developed fabrics with moisturising cream. There have been developments with fabrics that change colour in response to changes in body heat. Intelligent fabrics that offer health benefits are also expected to become readily available within the next five years. Transfer of technologies from space exploration, such as Teflon-coated fabrics, have been used for several years to offer people stain resistant clothes and easy removal of difficult stains, including red wine, which was notorious for staining cloth. Men’s shirts, ties and trousers have all benefited from Teflon coatings. There is also expected to be an increase in machine washable fabrics, offering convenience to time-poor professionals who will have the opportunity to put their clothing (including suits) into domestic washing machines.

Phillips, the electronics company, amongst others have been working on intelligent garment technologies for aerospace projects for several years. Intelligent garments that offer a range of inbuilt custom electronics may also become popular with younger consumers as fashionwear. Telephones, cameras, radio, digital music and thermal controls could all be contained within intelligent garments. Radio Frequency Tags (RFT) are already being used in clothing to store product and sales data. The cost of RFTs has fallen dramatically in the past few years, making it viable to place them in everyday wear. It is possible that garments with RFTs could contain washing instructions, and combined with bluetooth technology, in an intelligent washing machine the only human intervention necessary would be to place the garment in the machine. The rest would be performed automatically.

Market Size and Trends

Towards the end of the 1990s, the clothing industry did not perform as well as some other market sectors, as increased discretionary expenditure was diverted to other areas of the economy. Sectors that benefited were travel and tourism, DIY, IT and mobile phone products. During this period much of the potential spend on clothing was channelled into lifestyle home products. As a consequence many clothing specialists diversified into home products, such as bed linen and other soft furnishings, in the hope of recapturing the revenue. Furthermore, middle-market shoppers looked towards added-value products on the one hand, and on the other to the discount clothing market at the value end for everyday purchases. As a result many retailers in the middle market felt the pinch, and as a consequence responded by lowering prices and having never-ending sales. The effect of this was price deflation in the sector. Customers expected more for less. Suppliers also got caught in the cross fire, and often bore the brunt of retailer discounting through lower prices for their goods to the retailer.

Table 7. – UK Retail Sales of Men's and Women's Designerwear, 1997-2002

	£m	Index	£m at 1997 Prices	Index	€m	Index
1997	1,186	100	1,186	100	1,771	100
1998	1,230	104	1,237	104	1,831	103
1999	1,249	105	1,291	109	1,899	107
2000	1,312	111	1,410	119	2,155	122
2001	1,360	115	1,523	128	2,190	124
2002 (est)	1,417	119	1,656	140	2,168	122

Source: Mintel (2002)

Table 7 shows that the real increase in expenditure on designerwear between 1997-2002 is 40 per cent. This increase was fuelled by consumers becoming more brand conscious and more fashion aware. Consumers moved away from the middle market. Middle market retailers found themselves squeezed between branded fashion and discounters.

The market split between men and women is given in Table 8.

Table 8. – UK Retail Sales of Designerwear, by Type, 1997-2002

	1997 £m	%	1999 £m	%	2001 £m	%	2002 (est) £m	%	% Change 1997-2002
Women's	729	61	756	61	790	58	810	57	+11.1
Men's	457	39	493	39	570	42	607	43	+32.8
Total	1,186	100	1,249	100	1,360	100	1,417	100	+19.5

Source: Mintel (2002)

It is interesting to note the change in the gender mix between 1997-2002 and the trend towards more menswear as a proportion of total designerwear sales. The male share of this market has grown by nearly 33 per cent since 1997. Overall market growth for the period is just under 20 per cent.

Reiss the Brand

Reiss established a fashion brand in the early 1970s. Today, Reiss fashion can only be purchased through Reiss stores, unlike many fashion brands who sell through other distributors. The Reiss brand has become recognised as a progressive, fashion-led retail company, designing and producing own-label ranges targeted towards style-conscious men and women aged 18-40 years. It offers an individual and aspirational look at affordable prices, successfully combining good design, quality and value.

Table 9.

AW03 Womenswear Price Points

Jackets	£135-£175
Leather Jackets	£295
Trousers	£79-£110
Skirts	£69-£110
Dresses	£89-£130
Shirts	£65-£75
Cottons	£25-£79
Tops	£65-£89
Knitwear	£59-£79
Coats	£129-£195
Shoes	£95-£115

AW03 Menswear Price Points

Shirts	£69-£89
Trousers	£79-£89
Sweaters	£59-£89
Cottons	£28-£49
Suits	£295-£495
Outerwear	£159-£450
Shoes	£89-£120
Belts	£39-£59
Ties	£39-£45

AW = Autumn/Winter

Source: Company files

Significant effort has been put into the visual imagery to support the brand. Window displays and in-store graphics have helped communicate a strong brand image for Reiss.

Reiss aims to develop an aspirational, fashion-led men's and womenswear brand, with a clear identity that can be expanded domestically and internationally. Key values underpin the brand's image and these may be summarised with words such as: creative, contemporary, essential, comfortable, affordable and directional. The brand has established a reputation for good quality, fashion forward, and price competitive offerings, sold in a well-considered retail environment.

The company recognises that international expansion needs careful consideration. The Dublin store (see Appendix 2) will provide a microcosm laboratory from which the management team can learn. They already recognise that perhaps Northern European markets may be easier to serve than Southern European ones, focusing on fashionable consumers with similar tastes to UK customers, and markets with similar climatic, social and cultural environments. The company is keen to exploit the brand and new market opportunities, and has identified the USA and Japan as possibilities in the future in addition to Europe.

Under Creative Director Lionel Copley, the design teams produce clothes that are individual, stylish and sexy. Key to the brand's success is a contemporary and directional product. Reiss fashion has a definitive look, which aims to lead rather than follow trends. Since the clothing product itself is not overtly branded, it is important that other aspects of the trading format complement and enhance the brand in four main areas: location, store design, marketing and store environment.

Location and Store Design

Since the product is aspirational, stores are chosen in prime, quality locations nationwide. Generally new stores are larger (in excess of 3,000 sq ft) to accommodate the combined offer of men's and womenswear. Where possible buildings with individual architectural features are chosen, which help make the stores unique.

The actual store design is undertaken by a retained architect to enhance and complement the environment, whilst achieving the Reiss signature. Key to design is the ability to use materials, lighting, and textures conveying warmth and vibrancy.

Marketing

Following a management review in 2001 it was decided to refocus marketing resources into making sure more emphasis was placed on store windows and campaign graphics. The seasonal campaigns aim to promote menswear and womenswear, ensuring they represent the combined brand. A greater emphasis has been placed on imagery to match the brand statement: individual, stylish and sexy. Fashion shoots need to have an artistic merit that reflects and refines the brand identity, and locations can be as diverse as Blackpool and Zanzibar.

In addition, the display team has expanded and a dedicated Visual Manager creates the window displays with a team that implements plans, ensuring that the windows match the creativity of the campaigns and the product.

Public Relations (PR) is another key activity for Reiss and this is now under the control of Lionel Copley, the Creative Director, and has been developed significantly in the last three years. It was noted in 1998 that BT spent more on advertising than all the clothing retailers in the UK did (Jones, 2002, p242¹). However, it is equally important to recognise that the growth of style and celebrity fashion magazines has quadrupled since the mid 1990s, and fashion editors and journalists need to fill the newly created spaces. This has presented many fashion retailers with opportunities to gain press coverage for their brands. This is an area that Reiss have been reasonably successful at exploiting in the past three years since they entered the womenswear market. Fashion, being a visual medium, allows it to gain easier press interest without spending on advertising.

Store Environment

Reiss aims to communicate a consistent creative marketing message through their stores. The store environment is carefully considered with staffing, merchandising, music and seasonal graphics as key elements of the mix. Service levels, staff presentation and training are imperative to Reiss's success. All staff attend induction programmes where they learn about the brand and its history and receive an intensive introduction to the Reiss customer service ethic.

All the stores are individually merchandised to take account of the specific context of the store, its local market, and to ensure that each store has its own personality within the Reiss offer. The music is selected to enhance the environment and changes to reflect the mood required. During each season the internal graphics are changed, including pictures, wallpaper, and handpainting, with the intention of communicating the current season's messages. London stores now also sell a selection of books and CDs in line with the Reiss brand.

In summary Reiss is a unique proposition being the only men's and womenswear brand that bridges the market between the high street and international designer brands. This is achieved by focus upon the design of product, complemented and reinforced through the store environment and individual store aesthetics.

Reiss Customers

Table 10. – Reiss Customers

Age	Person Type	Purchase Type
18-25	Young student	Limited purchases
25-35	Professionals	Buying larger range
35 +	Older fashionable	Aspirational

Source: Company files

Reiss Competitors

Table 11. – Reiss Competitors

Position	Men	Women
Above	Paul Smith/Armani	Joseph
Par	BOSS/DKNY	Jigsaw/Whistles
Below	Ted Baker/FCUK	FCUK/Zara

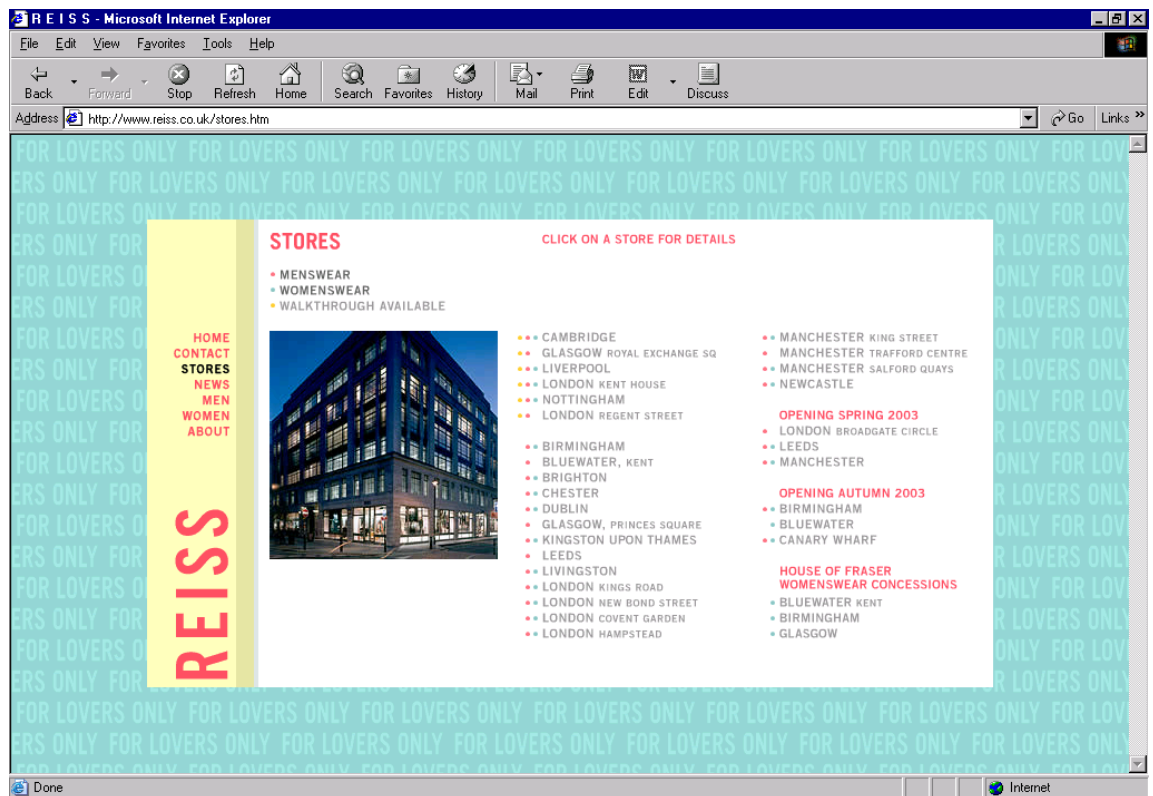
Source: Company files

The company refers to its brand as a “bridging brand”, by this they mean it bridges the gap between higher priced fashion from the likes of Armani and Paul Smith at one end of the spectrum, and Ted Baker and FCUK at the lower priced end for menswear. They have established a similar position for womenswear, sitting between Joseph at the top end and FCUK and Zara at the lower end of the price ranges.

Reiss Web Site

Reiss has established a non-transactional web site (see Figure 3). The web site provides store information, product ranges, and new season collections information for customers, and information for job applicants. One recent innovation allows visitors to the site to enter and walkthrough selected store locations. The main aim of the web site is to attract footfall to the “bricks and mortar” stores. Although the management team think the web site is important to their overall market strategy, they do not consider the web site important as a transactional tool. Unlike many retail ventures, the market for fashion is one that is difficult to pursue through electronic marketing strategies. This is because fashion is a tactile business and consumers like to try clothes for style, fit and colour before purchase.

Figure 3.

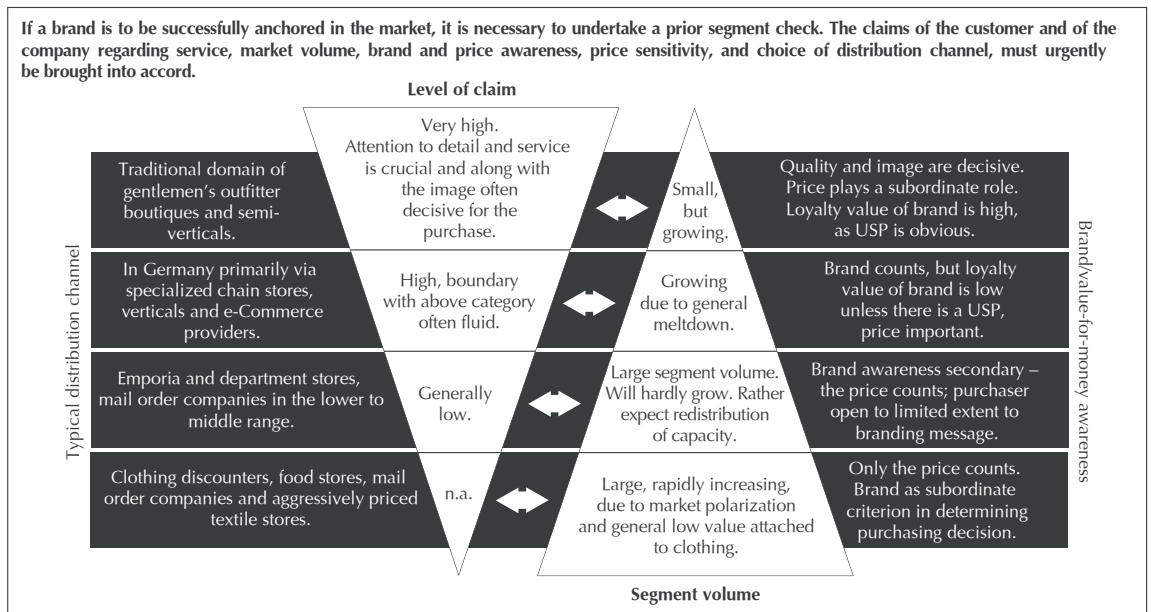


Source: Reiss web site

Fashion Branding

According to a report by KPMG (2002), creating customer loyalty by means of branding is becoming ever more important for companies' survival in all price ranges of the fashion business. This applies in equal measure to retailers and producers. Only strong brands are able to serve the customers as fixed points and to awake their interest in associated product features and stories. However, from time to time there are success stories such as Tommy Hilfiger, who hyped the brand and spent huge amounts on advertising. Sometimes customer satisfaction may not lead to loyalty, as the timing and the availability of goods may be more important. Customers tend to be fickle and may be willing to swap brands regardless of satisfaction levels. Better measures of loyalty are needed. Research carried out in Germany showed the following influences (Figure 4).

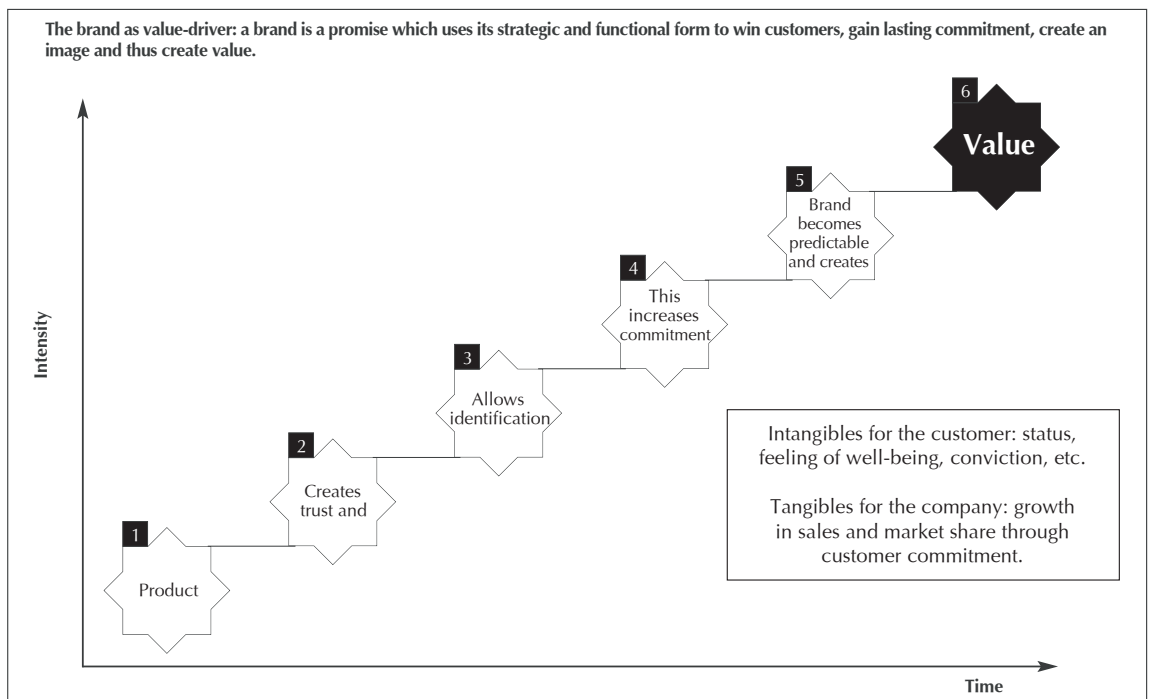
Figure 4.



Source: KPMG

The brand is a very important part a retailer's armoury and that promise needs to be sustained. However, the means of establishing a clear brand presence can vary according to the emotional values that have been established by each brand in the marketplace.

Figure 5.

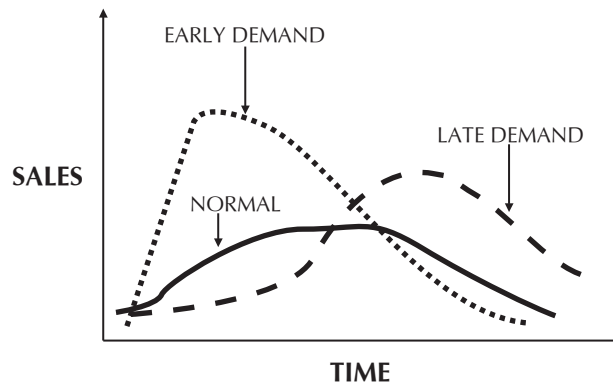


Source: KPMG

Summary

Fashion retailing is now one of the most challenging areas of business activity in the developed world, as there is intense competition, smaller profit margins, and variable selling seasons, with delivery times getting longer in some instances. Typically a fashion season is marked by a bell-shaped curve (see Figure 6).

Figure 6. – Fashion Life Cycles



Source: Ranchhod (2003)

The differing demand patterns need to be understood, as price points need to be established at each level. Often the demand at each price, in each period of the season, is uncertain, and price sensitivity to particular items may also vary. Goods left over at the end of the season lose their value dramatically and the demand may completely disappear! Thus companies such as Reiss need to monitor price levels and stock levels as accurately as possible. Discounting could cause a heavy demand resulting in poor stock levels, or vice versa, marking-down too late or too little could also cause heavy losses. Each market is likely to react in different ways, so the company needs both localised and globalised information systems. Reiss is at an important stage in its development, with its rapid expansion programme throughout the UK and ambitious plans to become an international brand. The company needs to consider what the next stages of development might be. A number of strategic options are available to Reiss. It is a small, strong brand in a very large market, and it therefore needs to leverage this position effectively in the marketplace and establish a presence beyond the United Kingdom. It also needs to consolidate its position in its current main market. These issues are exercising the directors who are now considering the best strategies the company should pursue.

Appendix 1.

Reiss Financial Statements

Profit and Loss Account

Date of Accounts Y/E	31st Jan 2003	31st Jan 2002	31st Jan 2001
Total Sales	20,883,000	18,138,000	17,653,000
Cost of Sales	6,752,000	6,658,000	6,131,000
Gross Profit	14,131,000	11,480,000	11,522,000
Operating Profit	1,977,000	1,255,000	1,201,000
Exports	N/A	129,000	252,000
Non-trading Income	119,000	119,000	125,000
Interest Payable	289,000	328,000	322,000
Pretax Profit	1,807,000	1,046,000	1,004,000
Taxation	588,000	441,000	276,000
Profit After Tax	1,219,000	605,000	728,000
Retained Profits	1,219,000	605,000	728,000
Value Added	8,509,144	6,778,768	6,070,712
Capital Employed	7,008,000	6,362,000	5,788,000
Net Worth	4,545,000	3,321,000	2,710,000
Working Capital	-2,396,000	-1,441,000	-1,497,000
Employee Remuneration	4,886,000	4,267,000	3,603,000
Director Remuneration	299,000	277,000	272,000
Audit Fees	25,000	27,000	27,000
Non-audit fees	7,000	4,000	12,000
Depreciation	1,138,000	813,000	892,000
No. of Employees	325	276	234

Balance Sheet

Assets

Date of Accounts	31st Jan 2003	31st Jan 2002	31st Jan 2001
Tangible Assets	9,356,000	7,750,000	7,226,000
Intangible Assets	48,000	53,000	59,000
Total Fixed Assets	9,404,000	7,803,000	7,285,000
Stocks	2,985,000	2,179,000	2,450,000
Debtors	70,000	55,000	162,000
Cash	41,000	860,000	692,000
Misc. Current Assets	1,376,000	1,024,000	1,167,000
Other Current Assets	1,417,000	1,884,000	1,859,000
Total Current Assets	4,472,000	4,118,000	4,471,000
Fixed Assets	9,356,000	7,750,000	7,226,000
Total Assets	13,876,000	11,921,000	11,756,000

Liabilities

Date of Accounts	31st Jan 2003	31st Jan 2002	31st Jan 2001
Creditors	1,310,000	1,171,000	1,867,000
Bank Overdraft	400,000	400,000	400,000
Misc. Current Liability	5,158,000	3,988,000	3,701,000
Other Short Term Finance	1,253,000	1,087,000	1,587,000
Due to Group, Current	1,000	1,000	507,000
Other Current Liabilities	3,905,000	2,901,000	2,114,000
Short Term Loans	1,653,000	1,487,000	1,987,000
Long Term Loans	2,320,000	2,853,000	2,857,000
Long Term Bank Loan	0	400,000	800,000
Other Long Term Finance	2,320,000	2,453,000	2,057,000
Due to Group, Non-current	1,539,000	1,539,000	1,161,000
Other Long Term Liabilities	95,000	135,000	162,000
Total Current Liabilities	6,868,000	5,559,000	5,968,000
Total Long Term Liabilities	2,415,000	2,988,000	3,019,000
Total Liabilities	9,283,000	8,547,000	8,987,000

Liabilities	31st Jan 2003	31st Jan 2002	31st Jan 2001
Called Up Share Capital and Sundry Reserves	266,000	266,000	266,000
Profit and Loss Account Reserve	4,327,000	3,108,000	2,503,000
Shareholder Funds	4,593,000	3,374,000	2,769,000
Called Up Share Capital	266,000	266,000	266,000
Net Assets	7,008,000	6,362,000	5,788,000

Source: Reiss

Appendix 2.

I haven't got a thing to wear! Why are so many men badly dressed? Because high-street menswear is rubbish, says Gareth McLean

The Guardian – United Kingdom; June 06, 2003

I am standing in Zara menswear, surrounded by a dizzying array of drawstring linen-ish trousers, highly patterned (and, I imagine, highly flammable) short-sleeved shirts, and non-descript knitwear. There are fleets of tan sandals, knots of ties, and a clot of blue sleeveless rayon grandad shirts. They are very Gala bingo. Some curious Christian country music is playing and there's that Zara smell, the odd aroma that is cold on the nostrils like an overly air-conditioned holiday apartment.

'This,' says my friend Gill, with whom I am shopping, 'is where DJ Sammy buys his clothes.' We pause to consider the Euro-disco DJ who recently murdered the 80s soft-rock classic Boys of Summer. Gill has a point. Even without the multitude of kaftan tops (the preponderance of which I blame entirely on David Beckham), there is something very Eurotrash about Zara menswear.

Zara womenswear isn't quite so bad, but womenswear never is. Women have the best shops. They have Topshop, feted for taking catwalk trends and translating them into high-street apparel in a matter of weeks. Men, on the other hand, have Topman. It is the preserve of 19-year-old mobile phone salesmen, thirtysomethings who think buying a T-shirt emblazoned with the words "Doggy Style" makes them appealing to the opposite sex, and boys who consider Avril Lavigne an attractive older woman. I've always found French Connection to be a store with delusions of grandeur, and you may as well hook yourself up to Dr Nitschke's suicide machine if you're going to frequent Next.

Granted, there is Gap, but there are only so many classic T-shirts a boy needs (sometimes I get to work, realise I am dressed head to toe in Gap and feel so boring that I contemplate getting a tattoo. On my neck). There's always Marks & Spencer, but it has only made a half-hearted attempt to engage with the under-40s, doing such a good job of hiding the decent bits of its Autograph range that Indiana Jones would have trouble uncovering them. We simply shan't be mentioning its Blue Harbour brand-within-a-brand.

You wonder why so many men are so badly dressed? I'll tell you why. High-street menswear is rubbish. The best thing you can say about it is that it's consistent. And that's just another word for monotonous.

Now, I am aware that pessimism isn't exactly an attractive attribute, so I decided to give the high street the benefit of the doubt. I identified key trends in designer fashion and tried to find them in the likes of Topman, H&M, River Island and Zara. There must be at least a hint on the high street of neon as used by Helmut Lang on vests and T-shirts, Miu Miu's biker-lite, multi-buckle, many-zipped jackets, and Junya Watanabe's Jamaican-themed, logo-tastic, acid-coloured T-shirts.

In Topman, there are neon sweatbands and a not bad print of neon squares on some T-shirts, but the sweatbands are reminiscent of the aforementioned Avril and the T-shirts are as boxy and shapeless as the million other pounds 15 Topman T-shirts. There is a biker-ish denim jacket with zips and buckles priced at pounds 45, but it's just nasty, Miu Miu's idea horribly mutated. Of all that Topman has to offer – and, as the Oxford Circus store is the flagship, the choice is better than the average branch – a white suit jacket and some Marimekko-esque striped T-shirts stand out as, if not must-haves, then certainly may-buys.

H&M, conversely, was a complete wasteland. There were plenty of bad jeans, worse shirts and saggy-necked T-shirts, but no echoes of the designer trends. My lack of faith in the shop – I have always viewed it as a glorified jumble sale in which the occasional nice item is hidden, lucky dip-style – was vindicated.

Meanwhile, someone should do the world a favour and burn every branch of River Island to the ground.

Even in the posher shops – Reiss, for example – everything is terribly subdued and decidedly non-fashionable, preferring instead to be stylish. There is nothing wrong with this: Reiss has lots of lovely things. Yet most of its wares are slightly too expensive, seemingly designed to appeal to the man wealthier than I, someone who buys signature items to add to his shades-of-grey capsule wardrobe. Aspirational rather than everyday-wearable. Suave rather than fun.

And that is the fundamental problem. Shopping for men's clothes can be incredibly dull, not an adjective you could reasonably attach to the Topshop experience. For many men, shopping is a means to an end, not an end in itself. Men don't enjoy shopping and, crucially, don't think when they shop. This gives retailers the latitude to be lazier when assembling their men's collections. They go for a lower common denominator and provide less choice because they assume their male customers aren't interested in browsing; making a day of it. Men want to go into a shop, get what they want and leave quickly.

But I am not convinced that, given the choice and the right environment, modern man would not happily wander round surveying what's on offer. It is true that the majority of men aren't as fashion-conscious as women, so there isn't the demand for a male Topshop. Women spend more – and more often – on clothes, while men tend not to care about seasonal trends other than vests-in-summer, jumpers-in-winter. And, of course, men's fashion isn't as dynamic as women's. Such is the dominance of jeans, all the action tends to play itself out on our top halves (unless we're talking tracksuit trousers, which, let's face it, don't suit everyone).

Men who are interested in fashion tend to buy labels from smaller shops – your Duffers, Diesels, Boxfresh and Carhartt – and there's a lot to be said for it. A pair of Carhartt trousers will last you for years, a Duffer hooded top is a classic. But there are times when I don't want a pair of timeless trousers. Sometimes I want a pair that will be smashing for two months then distinctly not. Amid the reliable Diesel jeans and Boxfresh sweatshirts, a bit of fickle fashion would be marvellous, something that is not H&M-cheap but not Reiss-expensive. Now that choice would be a real treat.

Source: The Guardian – United Kingdom; June 06, 2003

Reiss finds pink is not big on Green

Financial Times Information Limited – United Kingdom; April, 2003

UK designer David Reiss has brought his upmarket store to Ireland and is optimistic that our fashion fans will ensure the success of the stylish venture.

AFTER five years of trying to open in Dublin, David Reiss, founder of the upmarket British women's and men's fashion company Reiss, recently opened a store at a prime location, opposite St Stephen's Green.

He describes getting prime retail space in the city as "close to impossible" and when the company took over the lease of the store it was reported that a new level for Dublin retail rents had been reached.

The company then spent GBP750,000 on the fit of the Irish store, which marks its first step in international expansion.

'Our end of the market is all around the Grafton Street area, and it's quite a tight space if you're quite specific about where you want to be. What we've finished up with is probably the ideal,' said Mr Reiss, who started the business in the mid-70s.

However, the shape of the premises was not ideal, even though it has about 3,500 sq ft of trading space.

'We tend to have big frontages which make a powerful statement and this is a relatively small frontage and it opens out at the back, so we've had to be very creative,' he said.

The company chose to set a precedent with its new Dublin store, with a new format which will be reflected in seven more stores opening in Britain later in the year.

The company worked with three architects to get what they wanted, using lighting specialists and an architect who has just finished working on British designer Alexander McQueen's New York store.

Explaining the investment in Dublin and his appetite to open here, Mr Reiss said: 'Dublin is a vibrant city, one of the most exciting cities in Europe. We just felt very strongly that it was an area where we would compete.'

'It lacks the normal intense competition you get in big cities. I'm quite surprised, actually, that at our level, other than Brown Thomas, there didn't seem to be an awful lot on offer.'

Reiss is at the mid to upper end of the market, with most items priced at 100-plus and the label is described as a "bridge", covering the gap between the high street and designer stores.

The best comparison already operating in Ireland is Karen Millen, which is in a similar price range but differs in style.

Mr Reiss describes as "phenomenal" the initial response of Irish shoppers to the store and said that within the first few minutes of the opening in November, between 60 and 70 people were inside.

‘What really surprised us when we opened the store was it pretty much took off from the first day, and that may well have been because people were waiting for something new to happen,’ said the designer.

‘We certainly had a very strong initial reaction, which doesn’t always follow through with the opening of a new store,’ he added.

The shop opened during the fashion business’s peak time, with November, December and January all strong months.

Mr Reiss said that business has slowed since that but should build up again into the summer.

He will be closely watching the profitability of the shop. ‘We normally look for quite a quick return from all our stores,’ he said.

Other store openings are possible, with the developers of the new shopping centre in Dundrum very interested in involvement from Reiss.

‘They’re pushing hard certainly to open in Dundrum. What I’ve told them is, give us a year.’

‘One of the things that’s becoming apparent on the men’s side is that Irish men are probably more conservative than customers we get in the UK. So we’re having to tweak it slightly,’ he said, with pink proving not to be a very popular colour with Irish men.

‘Certain things which are strong sellers in the UK are not such strong sellers here,’ he said.

Despite the economic slowdown, Mr Reiss is optimistic that his label will fill a niche in the Irish market.

‘What’s happening (economically) in Ireland is happening all over the world,’ he said.

‘All I can tell you is that so far we’ve no complaint and we’re certainly well above budgets that have been set, so we’re very happy.’

Source: Financial Times Information Limited – April, 2003

Commercial Property (Retail): Retail steady as outlook remains positive – Consumers are still consuming, so the retail sector is holding up in spite of the uncertain economic climate; some retailers are seeking to expand, and Zone A rents in Grafton Street and Henry Street are on the way up. Edel Morgan reports

The Irish Times – February 12, 2003

The consumer mattress-money spending spree that accompanied Euro-changeover last year – bringing with it an unrealistic buoyancy to the retail market – has proven a tough act to follow for many retailers.

However, all things considered, feedback from traders has indicated that sales over the Christmas period and January went reasonably well this year, says Fintan Tierney of Lambert Smith Hampton.

‘Out-of-town shopping centres such as Liffey Valley and Blanchardstown probably fared better than Dublin city centre, with some people opting to avoid the hassle of city gridlock and the scramble for parking, although some suburban centres were also choked with traffic,’ says Tierney.

There is still an appetite for expansion among existing retailers – for example Next is actively seeking suitable locations.

However, the scarcity of prime retail space continues to be a problem as vacancy rates remain negligible.

‘Dundrum shopping centre and Mahon Point in Cork are among the few new shopping centres coming on stream in 2004 and they are filling up already,’ he says.

Blanchardstown centre’s extension will also provide much needed space, as will Stack A which is under construction on Dublin’s docklands and will be aimed at high-end retailers.

Despite continuing demand for high-profile locations, retailers are not as aggressive as in previous years as caution prevails in an uncertain climate.

‘There is still plenty of demand with substantial rental premiums being paid at prime locations such as Grafton Street and Henry Street. Saying that, it’s a strange time; we don’t know if there’s going to be a war, and some retailers are taking a more short-term view.’

The continuing growth in Zone A rents will surprise many when a number of rent reviews are completed on Grafton Street in the coming months. Already, the ICS Building Society is paying a rent of €5,260 per sq m for its shop premises fronting on to both Grafton Street and Nassau Street. Another shop off the top of Grafton Street, 1 St Stephen’s Green, was let to the UK fashion retailer Reiss at a Zone A level of €5,188 per sq m.

Marie Hunt of Gunne’s commercial division says a number of European retailers have been looking to enter the Irish retail market since the Euro was introduced.

While Spanish fashion chain Zara is due to open in Roches Stores, for other operations such as French cosmetics giants Sephora and Louis Vuitton (LVHM), a division of Moët Hennessy, a high street premises has proven elusive.

UK companies Gap and Space NK have also been on the lookout for suitable premises.

‘There are retailers that have been looking to gain a foothold in the Irish market for years but can’t. Gap, for instance, won’t go into out-of-town centres, it will only consider a prime shopping street,’ says Hunt.

While Christmas trading was generally positive for retailers – with an estimated maximum of 10-15 per cent drop in footfall in the city centre – it did not take off until the second week in December – with November being a quiet month.

John Reynolds, CEO of the Henry Street/Mary Street partnership, says this is accounted for by more cautious spending patterns, given the downturn in the economy.

A survey on consumer spending conducted by the IIB Banks and the ESRI found that consumer confidence picked up in January, but pointed out the significance of this should not be overestimated.

The outlook for the rest of 2003 is quite positive, says Marie Hunt, with ‘demand continuing to outstrip supply. Even in a slower economic environment, the outlook for retail consumption is positive.’

Source: The Irish Times – February 12, 2003

Appendix 3.

Fashion Retailing at a Crossroads

Published: 3rd May, 2000

The UK high street in the year 2000 is a microcosm of trends that will impact retailing worldwide. Middle market retailers are being squeezed at both ends by designer labels from above and value-for-money operators from below. Retail is changing painfully because of the increasing sophistication of the consumer; the self-created problems of retail space and profitability; and the globalisation of retailers and their suppliers.

Although this could lead to more merchandise variety in the high street, the variety will be supplied through fewer and fewer mega-big retail conglomerates and major groups striving to operate worldwide. The evidence is that we are entering a “buy or be bought” retail era. Malcolm Newbery reports.

UK Fashion Retailers In Turmoil

Although there always has been change in fashion retailing, the pace of that change has undoubtedly been accelerating. The established and secure major players are no longer that. Marks and Spencer has undergone an “annus horribilis” in 1999, and staff are still bailing out. The women’s wear brands of Sears fell into the hands of Philip Green, who promptly sold them on to Arcadia. Arcadia, having just managed to avoid insolvency by doing a new financing deal with its banks, has now announced the disposal of 350 stores and the axing of three brands, SU214, Principles for Men, and Wade Smith Jnr. The last was only bought in 1998 for £17.3 million. And BHS has been bought by the same asset-stripper Philip Green, who says he intends to keep and run the retail fascia, but will either drive it upmarket or down!

To add to the confusion in the high street, the middle ground (variety stores, multiple chains, and mass market brands) is being attacked from above and below. Label conscious consumers are deserting St Michael for designer names with “street cred” such as Calvin Klein. “Value for money” shoppers are heading the opposite way to buy George at Asda. As a recent trade press article put it: ‘cheap and nasty has become cheap and clever’.

The reason this has happened now is because of the confluence of three factors:

1. The increasing sophistication of the consumer.
2. The self-created problems of retail space and profitability.
3. The globalisation of retailers and their suppliers.

The Consumer

Retailers used to sell on a good gross margin at full price for 46 weeks of the year, and discount to move old stock twice a year. Now there are sales and offers in store at least six times a year: January and July, mid-season and special events. The consumer has learnt to wait for these, and has become adept at buying at discounted prices.

Moreover, the growth of factory outlets and off-price shopping centres has sharpened consumers' desire for a bargain. Many brands now deliberately make products obsolete in order to make them available to outlet stores.

Space and Profitability

Across the same period, in almost all developed countries, "organised retail" (the chains) built square meters of space faster than they grew sales. The combination of this and the squeeze on gross margins as a result of consumer opportunism has cut profits to the bone.

Globalisation

The third factor impacting on the retail scene in all developed countries is globalisation. Retail was presumed in the past to be national, with national preferences restricting cross-border activities. That is no longer the case. In food, electricals and fashion, multi-national retailers are growing at the expense of those with a purely domestic franchise. Very recent examples from the fashion sector are: Zara with more than 900 stores in over 30 countries; Hennes & Mauritz, whose stock is currently valued at £12 billion, and is stepping up its store expansion plans in Europe and the USA; and Gap, which will roll out the Old Navy format in the UK later this year, with Banana Republic to follow. J Crew, the USA mid-market chain with 120 stores, has announced a start-up in the UK next year.

Brands are also becoming international, whether they are part of a massive luxury stable such as LVMH (Louis Vuitton Moët Hennessey), or a quick-on-their-toes minnow like Ted Baker. The perceived wisdom is that a brand cannot survive in one market, not even in one as big as the USA.

And to complete the story, although it is primarily in food, the takeover by Wal-Mart of Asda looks likely to lead to the sale of value-for-money George clothing in the States. These global retailers and brands will sell globally and source globally.

Where Will It End?

The shopping mall is looking more and more like a shopping "maul", with the global retail giants struggling for domination of the high streets around the world. As events prove that there is no effective domestic defence against the aspirations of the multi-nationals, lessons can and should be learned from other industries such as chemicals and automobiles.

In the chemicals business, the major players bought and sold (in some cases swapped) their investments in different types of chemical, in order to become the market leader worldwide in a particular sector. In cars, the famous Boston Consulting theory of the 1960s has been proved right over the last three decades. You use your investment muscle to become the biggest. You use that to drive down costs and kill the competitors. You then either buy the weakened competitor or leave it to die, and then, like a vulture, pick over its corpse (collect its market share). This inevitably has meant fewer and fewer car manufacturers. In the UK in the month of April alone, we have seen BMW retreating from Rover, and Ford announcing the end of car assembly at Dagenham.

Buy or Be Bought

If the analogy with automobiles is sound, and it would appear to be so, then the reaction of food and fashion companies with genuinely global aspirations is clear. It's "buy or be bought!" Certainly Kingfisher thought that way, when in April 1999, it tried to merge with Asda. But the party was spoilt by the speed with which Wal-Mart moved to secure Asda and provide itself with a launchpad for Europe.

More recently, the French merger of Promodes and Carrefour has created a genuine European food and fashion giant, capable of playing in the same league as Wal-Mart.

Such is the confusion amongst food and fashion retailers in the UK at the moment that absolutely anyone, including blue-chips like M&S, is deemed to be "in play". One thing is certain; in today's edgy environment, there will be some more surprising mergers and acquisitions in retail before long.

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European Apparel Retailers Face Rocky Road

Published: 25th March, 2003

Continued sluggish retail sales growth in 2003 across much of Western Europe will exacerbate the already tough competitive environment for apparel retailers, according to a new study of the region's clothing and footwear retail industry.

Total consumer spending on apparel, footwear and accessories in Western Europe in 2002 was around 324 billion euros, roughly the same as the entire US market at \$314 billion. However, new Retail Forward research shows the growing trend for ageing consumers to spend cash on homes, personal care, savings or leisure time, means apparel retailing in Europe is going through major structural change.

The study, entitled Apparel Retailing in Western Europe, says several factors are transforming apparel retailing in major countries such as Spain, France, Germany, Italy, Sweden, Portugal, the UK and the Netherlands, like never before.

But despite the difficult environment, it says major European clothing chains, and particularly multi-national specialty operators, are succeeding by taking market share through innovative, fast-changing product offers and lower cost, more efficient business models.

'The ability of these specialty chains to implement faster and more flexible supply chains is giving them a real competitive advantage,' said Ira Kalish, director of Retail Forward's Global Intelligence Program.

Changing Face

Kalish said the factors seen as transforming fashion retailing in Western Europe over the next few years and early part of this century are:

- Weakening demand – while apparel spending in Western Europe grew at an annual rate of 3.8 per cent from 1997 to 2000, the industry's share of total consumer spending is declining as the economy decelerates and consumer confidence slips.
- Rapid consolidation – although apparel distribution channels and the concentration of apparel sales are still quite different across Europe, rapid consolidation reflects growing market maturity.
- Greater internationalisation of styles – multi-national retailers like H&M, Zara, and Mango, have moved toward greater internationalisation of styles and more disposable fashion through low prices and fast rotation of inventory.
- Supply chain flexibility and speed to market – faster and more flexible supply chains are the principal drivers of the retail apparel industry in Europe, and are key to the success of these specialty apparel chains.

'Consolidation, internationalisation, and the speed of the fashion cycle will continue to drive change in the structure of European apparel retailing,' Kalish explained.

Size and Growth of Western European Apparel Market

Total Apparel Spending by Country

€ billions, ranked by 2000 Spending

Country	1997	1998	1999	2000	2001	1997 to 2000 CAGR ¹
Germany	69.5	69.6	70.7	71.6	72.0	0.9 %
Italy	58.0	62.2	63.9	64.4	68.3	4.2 %
UK	44.8	47.4	50.9	56.3	58.2	6.8 %
France	37.2	37.7	38.2	39.0	NA	1.6 %
Spain	20.6	21.8	23.5	24.9	NA	6.6 %
Netherlands	10.1	10.9	11.5	12.0	NA	6.0 %
Greece	8.9	9.0	9.7	10.0	NA	4.0 %
Austria	7.2	7.5	7.7	7.7	NA	2.5 %
Belgium	6.5	6.7	6.7	7.0	NA	2.1 %
Switzerland	6.1	6.2	6.4	6.6	NA	2.8 %
Portugal	4.7	5.1	5.4	5.8	NA	7.0 %
Norway	3.8	3.7	3.9	4.2	4.4	4.0 %
Denmark	3.8	3.9	4.0	4.0	4.1	1.8 %
Sweden	3.2	3.2	3.5	3.8	3.6	3.5 %
Ireland	2.4	2.7	2.9	3.4	NA	12.1 %
Finland	2.5	2.6	2.7	2.8	NA	4.5 %
Luxembourg	0.4	0.5	0.5	0.5	0.5	2.3 %
Total	289.5	300.6	312.0	324.0	NA	3.8 %

¹ Germany, Italy, UK, Norway, Denmark, Sweden and Luxembourg growth is from 1997 to 2001.

Source: Retail Intelligence and Retail Forward, Inc.

According to Kalish, the most significant issue transforming the retail apparel industry in Europe is fast response. 'Speed and integration of the supply chain will continue to shape the future of the retail apparel industry in Europe by enabling more flexible, demand-driven fulfilment,' he said. 'The hallmark of successful apparel retailers is an ability to create distinctive product ranges that are responsive to quickly changing consumer expectations.'

Under Pressure

The ability of specialty chains to implement fast response is placing pressure on traditional retailers, including independents and department stores. Their explosive growth is shifting apparel market share and is changing the structure of apparel distribution across Europe, argue the report's authors.

Recent tough market conditions have favoured those retailers who can respond to consumer demand more quickly and at lower cost. A handful of specialty retailers such as Sweden's Hennes & Mauritz (H&M) and Spain's Zara (part of the Inditex fashion empire), continue to defy the global economic downturn. 'These companies are particularly adept at understanding what consumers buy – and want to buy – in real time and responding quickly to sales trends and customer feedback,' Kalish added.

The explosive growth of these chains also is driven by diversification and international expansion. As a growth strategy, they are capitalising on the heightened interest in their brands by extending them into new product areas, new customer segments, and new formats.

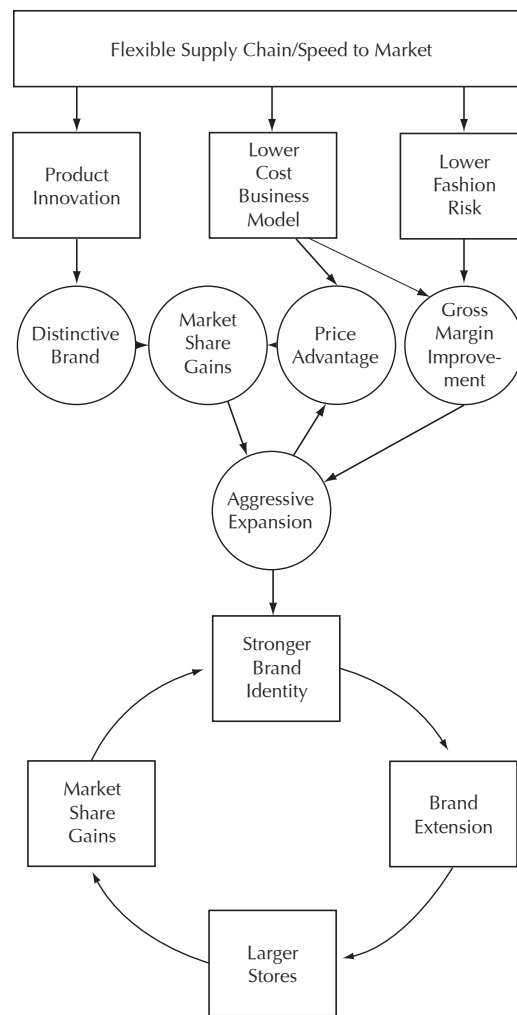
UK: Apparel Retail Concentration Sales of Top 10 Apparel Specialty Retailers, 2001/2002

Rank	Retailer	2001/2002	1996/1997	1996/1997 to	2001/2002 # Outlets	Operation(s)
		Sales (£m)	Sales (£m)	2001/2002 CAGR		
1	Arcadia	1,925	1,102	11.8%	2,750	Menswear/womenswear
2	Next Retail	1,359	730	13.2%	331	General Clothing
3	Matalan	847	185	35.6%	143	General Clothing
4	New Look (UK)	527	218	19.3%	487	Womenswear
5	Primark Stores	376	111	27.6%	67	General Clothing
6	Mothercare UK	375	395	-1.0%	252	Womenswear and Childrenswear
7	Gap UK	368	112	26.9%	184	General Clothing
8	Alexon Group	341	108	25.9%	1,242	Clothing and Footwear
9	River Island Clothing Co.	301	285	1.1%	195	Menswear/womenswear
10	TK Maxx (USA)	254	48	39.6%	69	General Clothing
Total Sales of Top 10		6,673	3,294	15.2%		
Total Apparel Specialty Retail Sales		16,984	13,289	5.0%		
Top 10 Retailers % of Total		39%				

Source: Retail Intelligence and Retail Forward, Inc.

Flexibility the Key

The report says the secret to the rapid rise of these vertically integrated, multi-national corporate chains is flexibility – flexible supply chains, the flexibility to price aggressively, flexible product ranges, and flexible retail formats. The winners are taking market share through a combination of innovative, fast-changing product offers and lower cost, more efficient business models. Supply chain advantages are giving these retailers a price advantage, which leads to market share gains, as well as the opportunity to improve gross margins, both of which support further expansion of the concept.



Source: Retail Forward, Inc.

It cites H&M and Zara as great examples of the competitive advantages and benefits of greater speed to market. The secret to their success is the ability to provide the latest fashion trends to their customers. Zara, seen to be more at the cutting edge of fashion than H&M, has maintained a lead in its ability to respond rapidly to fashion trends. It puts fashion ranges together in 7-30 days and can replenish bestsellers in the stores in five days. H&M can respond in 30-60 days. This compares to as much as 40-50 weeks from design to delivery for a typical clothing retailer.

The explosive growth of these chains also is driven by diversification and international expansion. As a growth strategy, they are capitalising on the heightened interest in their brands by extending them into new product areas, new customer segments, and new formats.

Product offers are being broadened to include categories such as childrenswear, lingerie, fragrance and personal care products, and homewares. Many have launched petite, large size, and maternity ranges. Bigger stores are then justified to accommodate the expanded product ranges. To further appeal to different customer groups, some chains adopt a portfolio strategy to extend their reach through the development or acquisition of multiple branded concepts.

With either approach, the impact of these retailers on the competitive landscape is becoming more pervasive. International expansion is slowly but surely leading to the homogenisation of European high streets.

Rosy Retail Future?

Economic and retail sales growth has slowed across much of Western Europe since the turn of the millennium, with the softness in the economy driven in large part by cyclical factors such as reduced exports amid global weakness. However, in countries such as Germany and Italy, the economy also suffers from structural barriers to growth, such as a rigid labour market and a strict regulatory environment. Among Europe's five largest economies, the outlook for retail sales growth is mixed.

Retail Forward forecasts that retail sales in Germany will continue to fall this year following a 2.3 per cent slide in 2002. In France, retail sales growth has been on a slowing trend since 1999 and sales are forecast to grow at a moderate 2.4 per cent pace in 2003 as the economy recovers from the recent slowdown.

Following several years of rapid growth in the UK, sales are expected to slow, registering about a three per cent increase. Despite the slowdown in the Italian economy, the retail sector grew nearly two per cent in 2002, the strongest increase in more than 10 years. However, growth is expected to ease below one per cent in 2003. Retail sales grew an estimated 2.9 per cent in Spain last year and that growth is expected to improve slightly in 2003 to more than three per cent.

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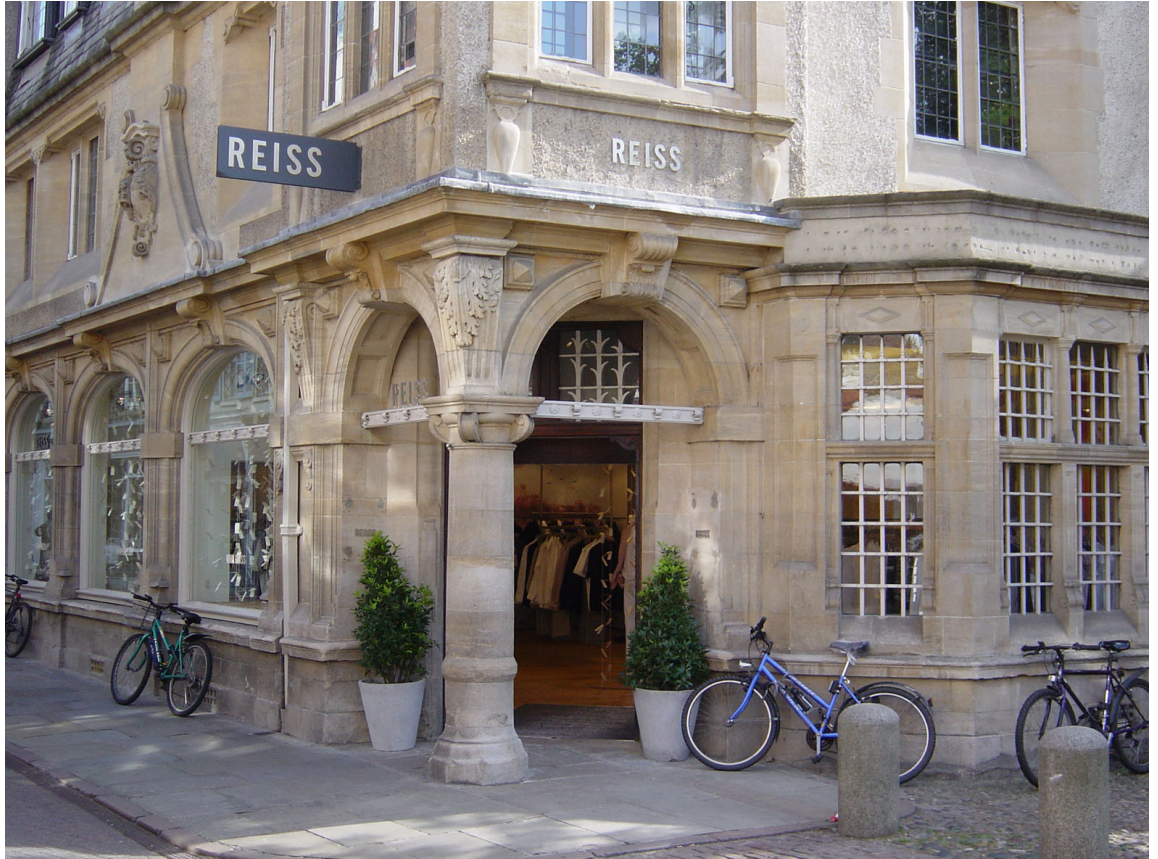
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Appendix 4.

Cambridge Store



Source: Lever and Hopley

King's Road, London Store



Source: Lever and Hopley

Leeds Store



Source: Lever and Hopley

Newcastle Store



Source: Lever and Hopley



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