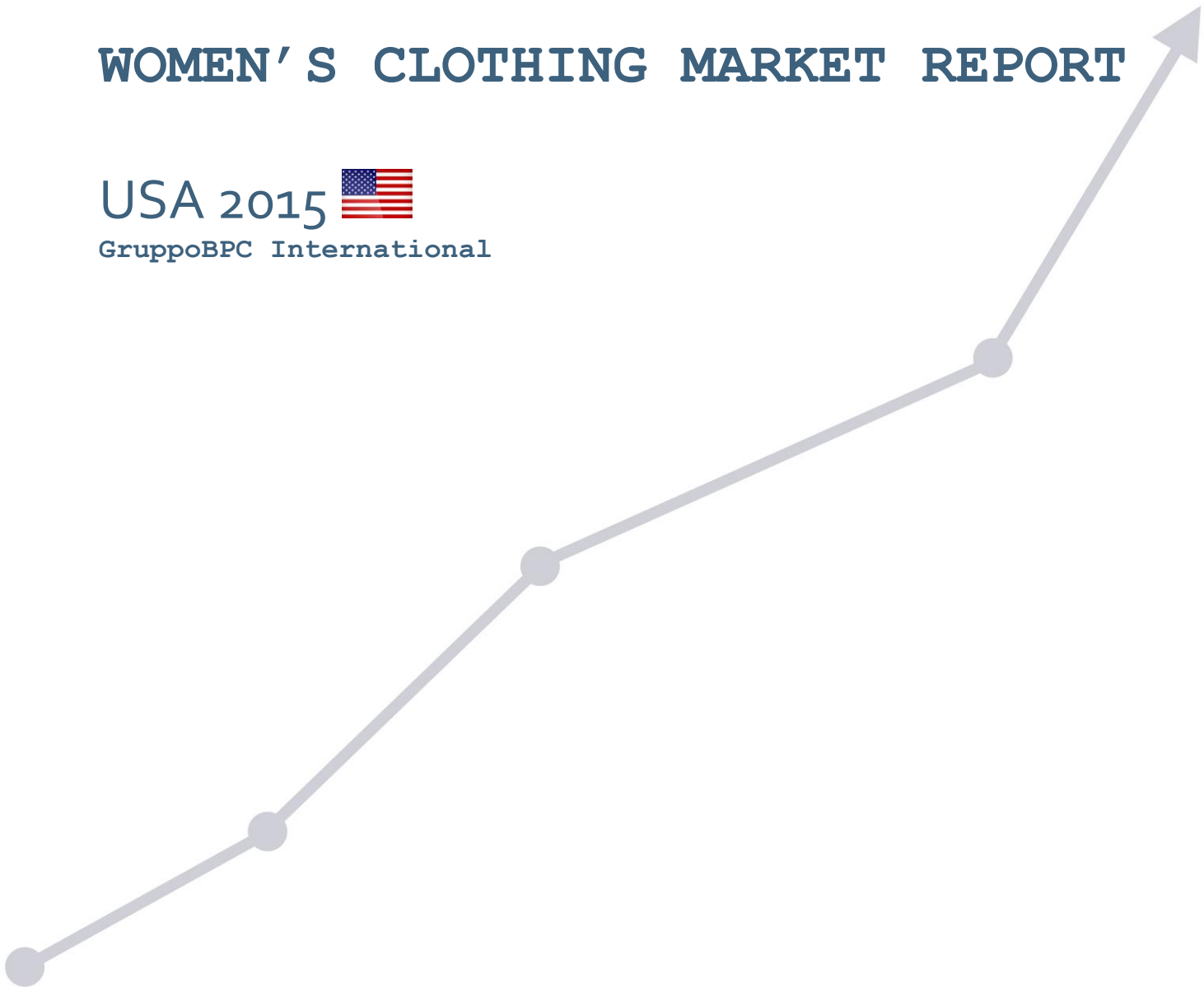




www.gruppobpc.com

WOMEN'S CLOTHING MARKET REPORT

USA 2015 
GruppoBPC International



1. GLOBAL WOMEN CLOTHING INDUSTRY

Despite the current global economic downturn, the global apparel industry continues to grow at a healthy rate. The apparel industry is of great importance to the economy in terms of trade, employment, investment and revenue all over the world. This particular industry has short product life cycles, vast product differentiation and is characterized by great pace of demand change.

The **global apparel, luxury goods and accessories market** is expected to generate **\$3,180 billion in 2015**, with a yearly growth rate in excess of 4%, while the global **clothing market** is expected to recover and reach US **\$600 billion** by the end of same year (2015). Clothing retailers account for the largest share of the market, at almost 65% in terms of value. Global demand for women’s wear is forecasted to expand by 3.4% between 2014 and 2018. Bangladesh, China, Tanzania, the United States and Yemen are considered the highest potential markets in the coming years.

Between 2007 and 2014 the market grew at an **average annual rate of 4.9%**. Currently, shorts and trousers account for 25.2% of the global demand while the remaining market share is divided between dresses (13.5%), shirts and blouses (12.6%), blazers and jackets (8.7%), panties, briefs, nightdresses, pajamas, bathrobes, slippers and petticoats (8.2%), overcoats (6.1%), anoraks (6.0%), brassieres (5.0%), skirts (4.0%), swimwear (1.7%), ensembles (1.7%), corsets, braces and girdles (0.9%), suits (0.5%) and other women’s wear (5.8%).

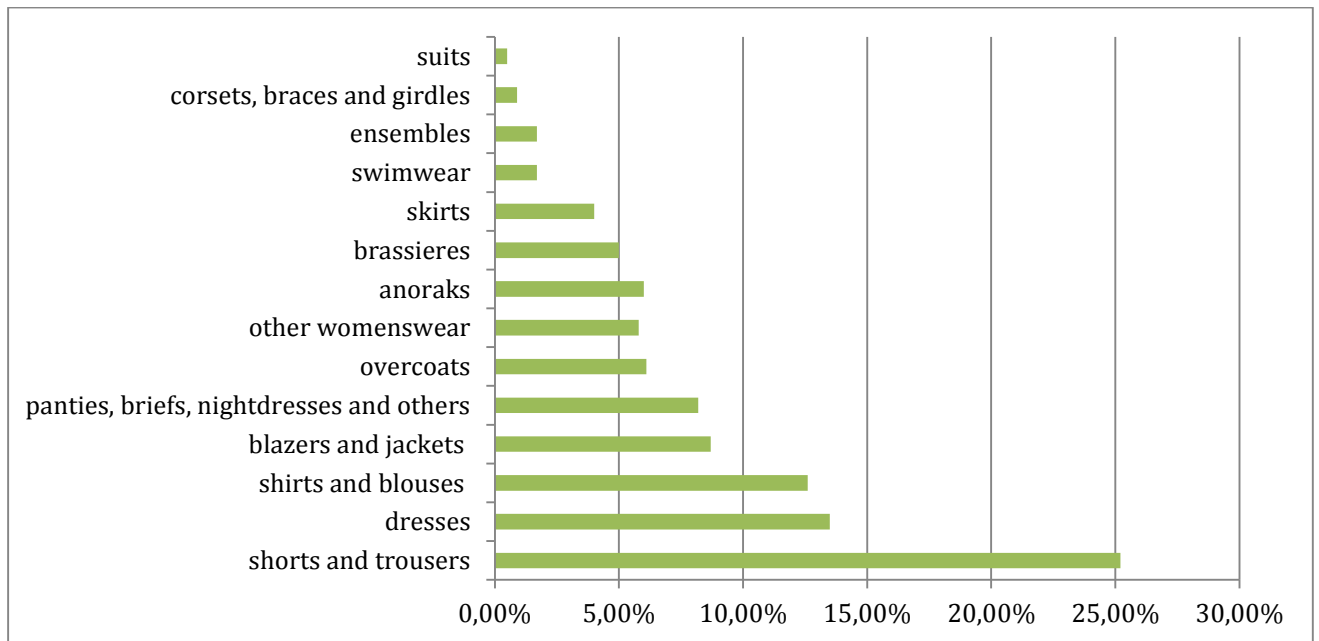


Image 1. Market share for women’s clothing

Brazil, China, Italy, Japan and the United States represent the largest women’s wear markets while the strongest annual growth is forecast to occur in Tanzania (16.8%), Yemen (14.7%), Ethiopia (14.0%), Bangladesh (13.0%) and Ecuador (12.7%)

The following tab shows the predicted market potential of different countries in the coming years based on recent analysis, which uses a model that takes market size, trends, forecast market growth and changes in the market environment into consideration. The larger the market potential rate, the more appealing the market will be in the coming years; conversely, the smaller the rate, the less appealing the market will be in the future.

Ranking	Country	Market Potential Rate
1	China	0.53
2	United States	0.33
3	Tanzania	0.17
4	Bangladesh	0.16
5	Yemen	0.15
6	South Korea	0.15
7	Ethiopia	0.14
8	Cambodia	0.14
9	Ecuador	0.13
10	Japan	0.13
11	Panama	0.13
12	Italy	0.10
13	Bolivia	0.10
14	United Kingdom	0.08
15	Brazil	0.08
16	Kyrgyzstan	0.08
17	Israel	0.07
18	Germany	0.07
19	Turkey	0.06

Image 2. The top 20 highest potential women’s wear market in the coming years

2. THE US WOMEN’S WEAR MARKET

Similar to other consumer based markets; the women’s wear market in the United States took a substantial hit during the Great Recession. This can largely be attributed to the decline in its two main driving forces, consumer confidence and disposable income. Throughout the last five years, however, overall **consumer confidence** in the United States and **disposable income per capita** have been on the rise. The following chart shows the rebound in these two areas. One can see that per capita disposable income has been growing since 2013 and is projected to maintain steady growth through the end of the decade. By 2021, per capita disposable income is projected to be over US \$44,000. The chart also shows that consumer confidence is projected to grow at a healthy rate through 2020.

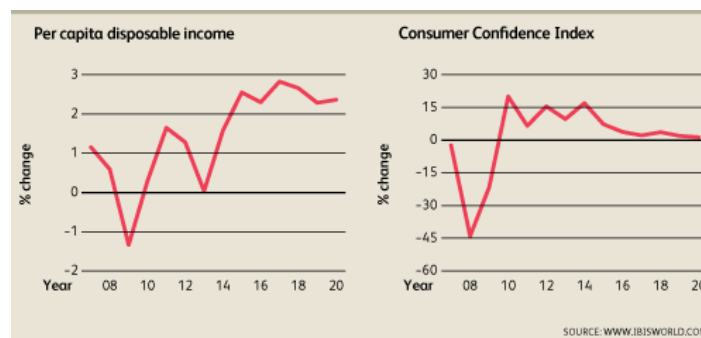


Image 3. Per capita disposable income in the U.S. and the U.S. Consumer Confidence Index

Encouraged by bigger wallets and increased confidence, revenues for women’s wear in the United States have grown at a healthy rate since 2010. Following the initial shock of the Great Recession, the industry showed its resiliency by growing at an average rate of 2.5% between 2010 and 2015, bringing total industry revenues to US \$47.9 billion at the end of 2014. Projections suggest the industry will continue to boast strong growth rates through 2021. Below is a table detailing the revenue outlook for women’s clothing over the next five years.

Year	Revenue \$ million	Growth %
2016	49,053.0	2.4
2017	50,441.5	2.8
2018	52,510.2	4.1
2019	53,912.4	2.7
2020	54,768.1	1.6
2021	56,300.1	2.8

Image 4. Revenue outlook for women's wear

3. CONSUMER PROFILE

Age is one of the most significant components making up the consumer profile in the women's wear market. The most influential target age group in the United States is women who are currently between 50 and 75 years old. According to MassMutual Financial Group, women in this age group have a combined net worth of US \$19 trillion and own more than 3/4 of the nation's financial wealth. They have the greatest purchasing power, are less likely to be significantly affected by shocks to the economy, and add the greatest amount of value to industry revenue.

In addition to age, the women's wear market is effectively broken down into **distinct segments** based on **per capita disposable income**. There are four segments that correspond to varying income brackets. Each segment is characterized by a particular type of shopper, with distinguishable tendencies towards type of store and brand(s).

Households making between US \$20,000 and \$50,000 account for 10.7% of the total wear market. They seldom take brand into consideration and are more concerned with price. Women falling into this category are frequent shoppers at discount stores such as Wal-Mart, Target and Kmart. They do, however, shop at value fashion retailers such as Old Navy on occasion.

The next income bracket comprised of those households making between \$51,000 and \$70,000 accounts for 14.0% of the women's clothing market. Consumers in this bracket have similar characteristics to those in the previous one but are more likely to take brand into consideration. Women at the lower end of this segment are most likely shoppers at more discount-oriented stores, while women at the higher end have the fortitude to frequent department stores.

Households earning between US \$71,000 and \$80,000 account for 20.7% of the overall market. Women falling into this income bracket begin to focus their consumption on designer clothes and accessories. Their main destination for shopping is the department store.

The segment of the market comprised of those households making US \$81,000 to \$100,000 is the second largest as consumers in this income range account for 22.9% of purchases. Most of the consumers in this bracket have careers and steady incomes, and thus strong purchasing power. This allows them to make most of their clothing purchases based upon fashion trends and brands. It also enables them to compare products between luxury and non-luxury brands, a capability that is rare in the lower income brackets.

Households making US \$100,000 or more account for the largest share of the market, making up 30.9% of total industry revenue. Consumers in this income bracket are the most significant contributors to the industry's growth and will continue to be so for the upcoming years. They place high value on brand recognition and spend a considerable portion of their income on clothing and accessories.

4. SUPPLIERS

Although the average piece of clothing makes its way around the world before finally reaching the racks of retailers, the typical supply chain utilized by retail stores can be quite simple. Manufacturers outsource their distribution to independent warehouses that stock a variety of brands and products. Retailers then establish relationships with sales reps at the distribution centers to stock their stores and gain knowledge of new fashion trends.

The nature of this arrangement allows the major brands to hold a monopoly over the industry. Currently, the most popular women's brands in the United States are:

- *Dolce and Gabbana*, a high end Italian line
- *Systvm*, an urban style fashion line quickly gaining popularity in the U.S.
- *Prada*, another luxury Italian line with popularity in higher end U.S. department stores
- *Joyrich*, an American brand known for its light colored silk fabrics
- *H&M*, a Swedish brand for bringing stylish, modernized and classy designs at a reasonable price
- *Ichiban*, a well-known British clothing company
- *Guess*, a popular U.S. brand.

5. SALES AND DISTRIBUTION CHANNELS

In the U.S. market the, distribution system can involve a number of different players. The methods of distribution may vary from the single agent that deals with all stages of product distribution to the large company that relies on a system of mass distribution to reach their consumer. A careful choice of the method of distribution is of great importance and may influence the success of a product.

Key distribution channels for women's wear clothing are the following:

Department Stores

Generally speaking, Department stores are parts of large chains that operate throughout the United States. The distribution starts with a single purchase operated from headquarters that is then distributed to stores located in different regions of the country. All of these stores have purchasing managers, specialized by product type, and supervisors that control the purchasing managers.

This type of distribution allows retailers to maximize the use of resources and, at the same time, to reduce the number of suppliers. In these stores it is possible to find products of well-known brands with customers loyal over time.

Examples of popular department stores are **Macy's, Nordstrom, Neiman Marcus, JC Penney, and Sears.**

Flagship Stores

A flagship store is the company's main store that is used in showcasing the various brands the store offers. Unlike other stores within the chain, the flagship is usually more impressive, bigger and shelves more merchandise than the rest. Usually flagship stores are present in prominent shopping districts. They represent the medium target and combine mass marketing with a more niche one, heavily invested in advertising. Brands utilizing flagship stores sell from these locations but also distribute their lines to department stores and boutiques.

Some of the best-known examples of flagship stores are **The Gap**, **Old Navy** and **Banana Republic** (three separate division of the same company), **Victoria's Secrets**, **Anne Taylor**, **Eddie Bauer**, **Ralph Lauren**, **Louis Vuitton**, **Coach** and **Prada**.

Discount Stores

Discount stores are positioned at the low end of the market. The aim of these stores is to sell as much as possible at the lowest price. The promotion of individual products and/or a specific product line is rare. Discount stores in this category are **Wal-Mart**, **Target** and **K-Mart**. Wal-Mart alone has more than 1800 stores with more than US \$140 billion in annual sales.

Independent Retailers

The Independent distribution channel is becoming increasingly popular due to the fact that they can reach new geographical market niches not yet covered by large retailers. Shops supplied by independent retailers are strongly oriented to new trends and place a strong emphasis on customer service. Examples of shops in this category are **Wilkes Bashford** in San Francisco, **Louis Boston** in Boston, **Tracy Reese** and **Fred Segal** in Los Angeles and **Stanley Korshak** in Dallas.

Boutiques

The uniqueness of the category of the boutiques in the US landscape is that the owner is also the one who buys clothes. These stores are located almost everywhere in US and have heightened customer service and a notable orientation towards the building of a strong relationship with loyal customers. They are similar to independent retailers but have less name recognition nationwide and are more price sensitive.

Importers

Importers act as buyers: they buy and then resell to their customers throughout the United States, taking much of the risk of the inventory and taking care of the different formalities related to import and export. The suppliers have little or no control over the customer base. Goods sold by importers cost less than those sold directly to retail stores good. Real costs for importers may vary according to the relationship between the company and the importers, the type of clothing and the quality of goods.

International buyers

International buyers are representatives in the US market for major foreign exporters. They know the market and have a certain ability to understand future trends, so they offer suggestions on how suppliers can adapt their products' price strategy. As in the case of importers, international buyers charge fees that are dependent upon the nature of the relationship with the buyer. However, in general, buyers charge between 4% and 25% of the manufacturing costs incurred by the supplier.

Trading companies

Trading companies are independent structures that operate in the US market buying foreign clothes and reselling them. Generally these companies specialize in one area and offer a range of added value services, such as marketing services, market consulting, product development, financial services and shipping.

A company that uses the services provided by a trading company will have similar costs to those of the importer's services, with the advantage of having a relationship characterized by greater communication and control from the manufacturer/supplier.

Agents

In the U.S. market agents that work in the fashion industry act inside of a specific region with headquarters in important cities. These agents are in charge of looking for new buyers and opening new markets. For such services their commissions may vary from 10 to 20%.

Internet

The world of fashion has the capacity to change faster than ever in the digital era. Online retailers have become major competitors for companies that sell through their traditional channels. At the same time, within the influence of ecommerce, online retailers now require a competitive edge to combat all the other spaces existing in the web.

6. TRADE FAIRS

FAME (Fashion Avenue Market Expo)-New York City, New York

It is presented by Business Journals Inc. and is one of the most preeminent women's wear trade shows in the United States attracting top fashion publications, newspapers, and national television outlets looking for the latest fashion trends.

Date: April 27-29

www.fameshows.com

SHOP at Fig-Dallas, Texas

Presented by Fig, a boutique wholesaler in the Dallas, TX metro area, is nationally recognized by retailers as one of the top trade shows to find the most diverse, fresh, and relevant lines in the industry. Fig puts on five trade shows throughout the year.

Date: June 3-5

www.fashionindustrygallery.com

ENKVegas- Las Vegas, Nevada

ENKVegas is one of several bi-annual trade shows put on by MAGIC, the world's largest fashion marketplace. ENKVegas is an exclusive, women's only fashion event that attracts the largest and most influential women's buyers from around the world.

Date: August 17-19

www.magiconline.com/enkvegas



7. OPPORTUNITIES IN THE US MARKET

Women's wear in the United States has responded with vengeance since being severely affected by the Great Recession. Strong consumer confidence and growing disposable income have led to the recovery of the women's wear market and will continue to contribute to its success through the end of the decade. The consumer driven nature of the U.S. economy, especially during times of stability and/or growth, presents a high degree of opportunity.

One of the most enticing elements of the women's wear market in the United States is the diversification of the consumer profile. Americans consume the entire spectrum of clothing, from luxury, name brand goods to non-luxury, discount items. This gives clothing companies a great deal of power and flexibility when assessing their strategy to enter the U.S. market.

GruppoBPC International is the ideal partner for the development of your company and your products in the US market, knowing the market and operating directly through our local team. Thanks to an organizational structure, a working methodology and proven effectiveness, we are able to create business opportunities with all of the above sales channels, in order to start successful business relationships.

We offer you:

EXHIBITION – complete assistance in visiting the main fairs of the sector, organizing one-on-one meetings to know the main players of the market.



EXPORT- full support to successfully enter a new market, identifying and developing winning strategies to sell your products in the targeted market and to prepare your company for subsequent business expansion.

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8. SOURCES

- Planet Retail
- Companiesandmarkets.com
- IBIS World
- Euromonitor International

9. CREDITS

GruppoBPC International is an international consulting Group with offices in Ireland, Italy, Russia, USA and Singapore, assisting companies in developing their business in the international markets, supporting trade and investment.

With its own international direct network, GruppoBPC International is able to provide top ranking corporate assistance with value added international services, specifically market entry strategy, international communication campaigns and ongoing management assistance, addressed to establish bridges between countries and to develop a global presence in the international markets.

For more information about our services check out our services' page at www.gruppobpc.com