



Companies to Watch

Five Apparel Chains That Should be on Your Radar



The retail segment has been hit hard by the current economic conditions. Yet, some apparel chains have experienced considerable growth this year, have a bright outlook for the conclusion of fiscal 2008 and plan aggressive expansion in the immediate future. Despite a difficult economy, some companies in the apparel industry are continuing to innovate and grow in both store count and sales. The following are five companies to watch in the apparel industry.

FOREVER 21

Forever 21 is a chain of clothing retailers throughout the United States, Canada, and twelve other countries offering fashion and accessories for young women and men. Most of the retailer's apparel is private label and is made in Southern California. The chain, originally known as Fashion 21, was founded in Los Angeles, California in 1984. The first store was only 900 square feet. By the end of the first year, sales had risen from \$35,000 to \$700,000. Fashion 21 eventually expanded at the rate of a new store every six months and soon changed the Fashion 21 brand name to Forever 21.

Since 2002, Forever 21 has been ranked as one of the 50 largest privately held companies in Los Angeles. In 2005, Forever 21 was operating 355 locations nationwide with the trade names Forever 21, Forever XXI, For Love 21, and Gadzooks. Most of Forever 21's 430 U.S. stores are between 10,000 to 20,000 square feet and are located in malls. Over the past couple of years, the chain has sought to open some larger stores. The company will open 90,000 square feet units in certain locations, making it a potential anchor in shopping malls.

Forever 21 stays current and even ahead of fashion as new merchandise arrives in the stores every day and the merchandise is completely changed every six to eight weeks. Forever 21 is a budget fashion chain for people who aren't rich but love fashion. This business strategy is working; revenue topped \$1 billion in 2006, placing Forever 21 in the ranks of the top 500 privately held companies in the United States. Forever 21, a private company with sales of \$1.3 billion in 2007, is projected to do \$1.8 billion in sales in 2008 and \$2.5 billion in 2009.

Forever 21's real estate strategy involves finding a large urban space in an entertainment-oriented complex. Forever 21 reportedly has been interested in buying some of the Mervyns locations as the company closes all its stores after filing for Chapter 11 bankruptcy. Other companies such as Shoe Pavilion and Linens 'n Things could be discussed by Forever 21 executives as soon-to-be vacant spaces open.



Lucy Activewear Inc. is an athletic apparel company offering workout wear for women. Launched in 2000 and based in Portland, Oregon, the Lucy brand was created to inspire a woman's active life. In August 2007 VF Corporation completed its acquisition of Lucy Activewear, a 50 store chain. As a result of the acquisition, Lucy Activewear, Inc. is now a wholly owned subsidiary of VF Corporation. Lucy Activewear has grown from its origins as lucy.com, an online retailer, to a vertical retailer currently operating 68 stores nationwide. The company expects to grow to over 300 stores.

The company's mission is to offer women performance-based activewear so that they can look good while living healthy, active lives. It appears that the company is clearly on the right track. Within a 24-month span, Lucy successfully more than doubled their retail stores from 32 in 2006 to 66 in 2008. Lucy Activewear opened three new stores this fall with an innovative new store concept. The new Lucy store concept was designed to let the product shine in a sophisticated studio like space. The new design is bright and athletic. The new store design also includes an update to the dressing area where rich fabric textiles, metallic wallpaper and soft in-room seating create a boutique atmosphere.



Lululemon Athletica Inc. is a rapidly growing designer and retailer of yoga-inspired technical athletic women's apparel. It was founded in Vancouver, BC in 1998 by Chip Wilson, founder of Westbeach skate and snowboard clothing company. Lululemon's first retail store called Kitsilano opened in November of 2000. Setting the bar in technical fabrics and functional designs, Lululemon works with yogis and athletes in local communities for continuous research and feedback. Lululemon's educators, or shop assistants, use "flowery" language and chat with customers about yoga classes. Lululemon stores are a hub for better living, not just a place to buy new workout clothes. The shops host free yoga classes and employees get involved in charitable work.

The private company continues to defy the tough retail market and reported a sharp jump in profit, crediting an expansion of its chain of yoga-inspired clothing stores. The company sells Lululemon Athletica products through wholesale operations to premium yoga studios, health clubs and fitness centers. However, wholesale represented only 1.8% of the company's net revenue in fiscal 2007. Lululemon's profit doubled in the second quarter of 2008.



After getting started, the goal of the company was to turn Lululemon's small presence into a full-scale operation with stores in the trendiest malls and high-end shopping districts. Lululemon began opening franchise stores in select markets in 2002 and as of February 3, 2008 had three franchise stores in Canada and four franchise stores in the United States. In 2005 the company had 20 stores in the U.S. As of November 2008, the company operates 80 stores in the United States, 44 in Canada and another 10 in China and Australia. In 2007 the company announced plans to open about 250 units during a 5 year period, with 15 stores opening annually in the United States. Lululemon is also planning expansion internationally and plans to launch its eCommerce website in the next year.



Tilly's is an action sports-oriented, specialty retail chain. Tilly's has become synonymous with the latest in surf, skate, motocross clothing, So-Cal lifestyle clothing, shoes, and accessories. The company's motto is: "If its not here... its not happening". Stores sell an assortment of top brands catering to active young males, juniors, boys and girls. Tilly's is a unisex clothing store for brands such as Volcom, Quiksilver, Roxy, Hurley, Vans and Billabong. A major competitor carrying a lot of the same brands is Pacific Sunwear, who in the last year closed over 150 stores. Tilly's merchandise can be found in stores and on its website.

Tilly's opened its first store in southern California in 1982. Tilly's headquarters is located in Irvine, CA. In 2004 the company had 38 stores. The company currently operates 93 stores throughout Arizona, California, Colorado, Florida and Nevada. Tilly's did an estimated \$54 million last year in stores and online. The company expects to open another 20 to 30 locations next year in the current states and in Delaware, Maryland, New Jersey and Virginia.



True Religion Apparel, Inc. designs, manufactures and markets its own product line of premium apparel. True Religion is headquartered in Vernon, California and was founded in 2002 by Jeffrey Lubell. The public company is best known for its unique jeans for men, women and children. Its expanding product line may be found in the company's 38 retail locations, on its website and in premium department stores and boutiques in 50 countries around the world, including the United States, Canada, Germany, and United Kingdom.



The company continually updates its product offerings to be seen as a trend setter in the high fashion jeans apparel market. In 2007 footwear and headwear were introduced. In 2008 handbag, swimwear, and fragrance licensees were added to the assortment of products. True Religion Brand Jeans is known not only for its denim, but also for its knit and woven sportswear, such as t-shirts, western shirts, sweatshirts and sweatpants that all have that vintage feel.

In 2007, denim bottoms accounted for 90% of the company's sales. U.S. wholesale accounted for \$111.4 million or 64% of sales, international wholesale accounted for 18% and consumer direct sales accounted for 17% of sales. The company has met or exceeded earnings expectations in each of the last five quarters. The company expects to have 39 stores by the end of 2008, up from the previous target of 35. The company expects to open at least 20 new stores in 2009. Stores range from 800 to 3,000 sq. ft.

The apparel companies profiled above can be found in **Chain Store Guide's [Apparel Specialty Stores database](#)**, which provides detailed profiles of almost 5,000 companies – both large and small across the U.S. and Canada. With the most accurate and current information in the marketplace, **CSG** has the tools and information to help your business succeed in today's difficult and highly competitive retail environment. Please contact me with any questions or comments, or if you would like to know how **CSG** can help meet your business needs.

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