



Chain Store Guide
Business Leads | Market Research

Apparel Companies to Watch: A Follow-up Report

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It's exciting to be able to predict the future and be right. Three years ago, I selected five [Companies to Watch](#) in the apparel industry. I based my decision on their potential to grow in sales, store count and their forward innovative thinking.

What I didn't predict was the pending recession that eventually struck the country and brought the economy to a standstill. Despite this hurdle however, the five chains identified continued to do remarkably well. As an editor for Chain Store Guide I am able to capture data on an ongoing basis and report on company's performance over prior years. Below, are the five companies selected as well as a look at their fast pace growth.

- Forever 21 Inc. met the \$1 billion mark in 2006 and topped \$2.5 billion in 2010
- Within a 24-month span, Lucy Activewear Inc. more than doubled their retail stores from 26 in 2006 to 65 in 2011
- Lululemon Athletica Inc.'s revenue logged a compound annual growth rate of 52.3% from 2005 to 2009 and revenue grew an incredible 57% last year, to almost \$712 million
- Tilly's nearly doubled their store count in 5 years, going from 63 to 124 stores
- From the beginning of 2008 to the end of 2010, True Religion Apparel Inc. opened 79 stores in the United States, reaching 94 total

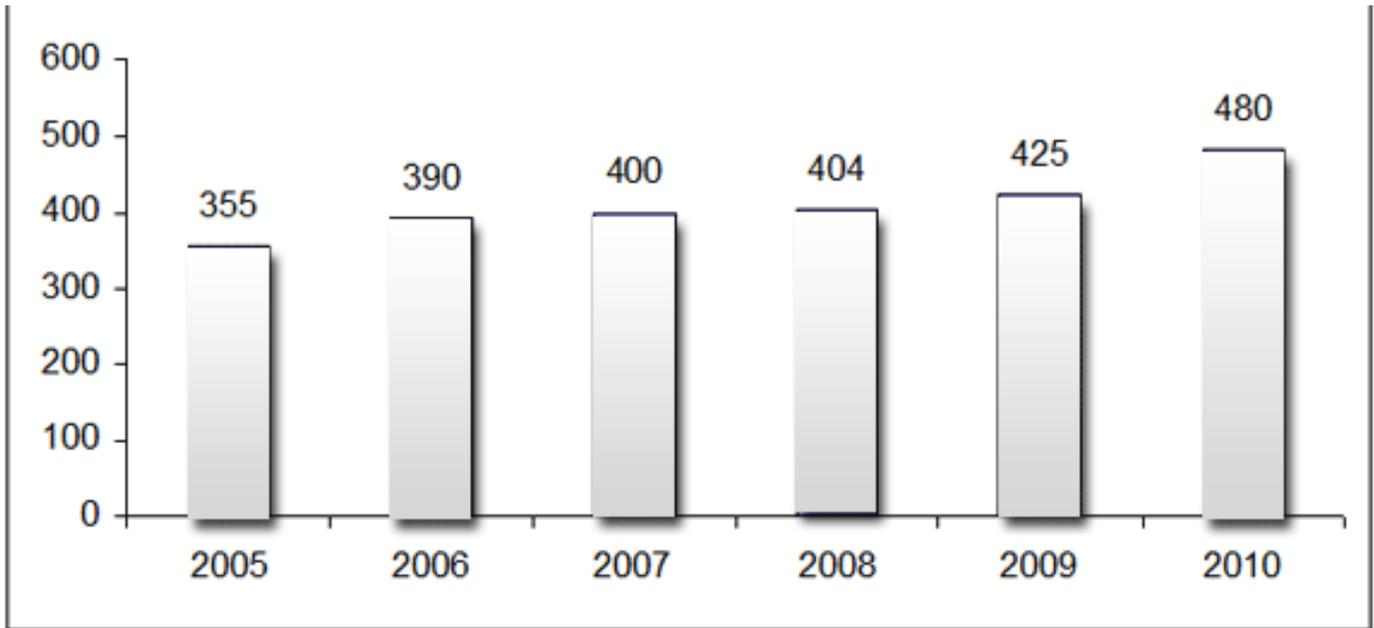
These companies have something in common; they found their niche and stuck with it. Here is an updated look at their past few years.

Company to Watch: Forever 21 Inc.

Forever 21 is a chain of clothing retailers throughout the United States, Canada, and seventeen 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. 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.

In 2005, Forever 21 was operating 355 locations nationwide with the trade names Forever 21, Forever XXI, For Love 21, and Gadzooks. In 2008, most of Forever 21's 404 U.S. stores were between 10,000 to 20,000 square feet and are located in malls. Over the past few years, the chain has opened some larger stores, 90,000 square foot units, making it a potential anchor in shopping malls.

Forever 21 Store Count



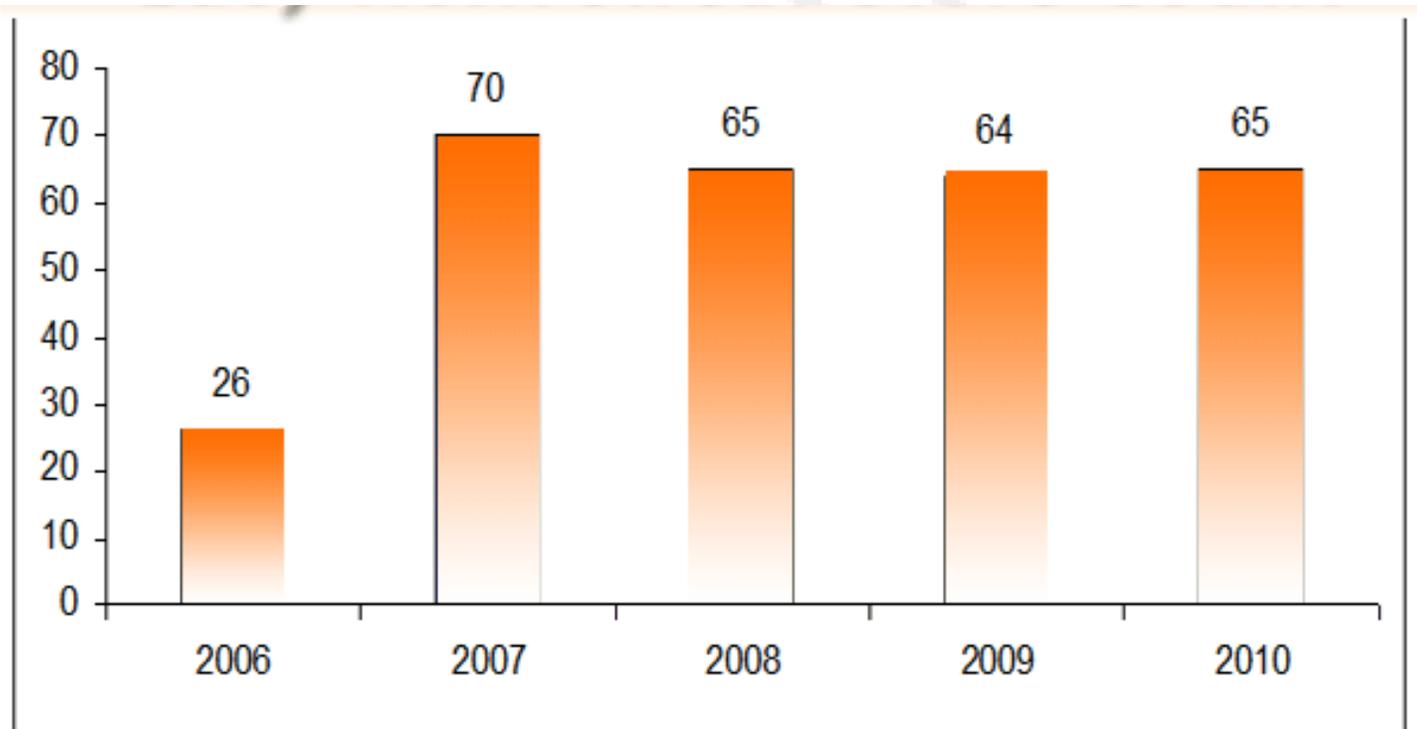
Forever 21 has by far the largest store size of all the companies mentioned in this report. The other four companies' prototypes range from about 1,500 to 5,000 sq. ft. Forever 21's real estate strategy involves finding a large urban space in an entertainment-oriented complex. On January 23, 2010, Forever 21 opened a new 85,000 square foot store in Cerritos, California. Being one of the largest, the store is designated as the chain's flagship store. In early 2009, Forever 21 opened 11 department store-sized locations, after assuming the leases of 15 Mervyns following the chain's bankruptcy filing.

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 continues to be a budget fashion chain for people who aren't rich but love fashion. This business strategy is working; after meeting the \$1 billion mark in 2006, the private company reported revenue topped \$2.5 billion in 2010.

Company to Watch: Lucy Activewear Inc.

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. Styles are designed and developed by women who do the activities the clothing is designed for: yoga, running, training, exploring the outdoors, and traveling. In August 2007 VF Corporation completed its acquisition of Lucy Activewear, a 50 store chain. Within a 24-month span, Lucy successfully more than doubled their retail stores from 26 in 2006 to 65 in 2008. Over the past ten years, the Lucy brand has grown from Lucy.com, an online-only retailer, to a national bricks-and-mortar chain operating 65 stores.

Lucy Activewear Store Count

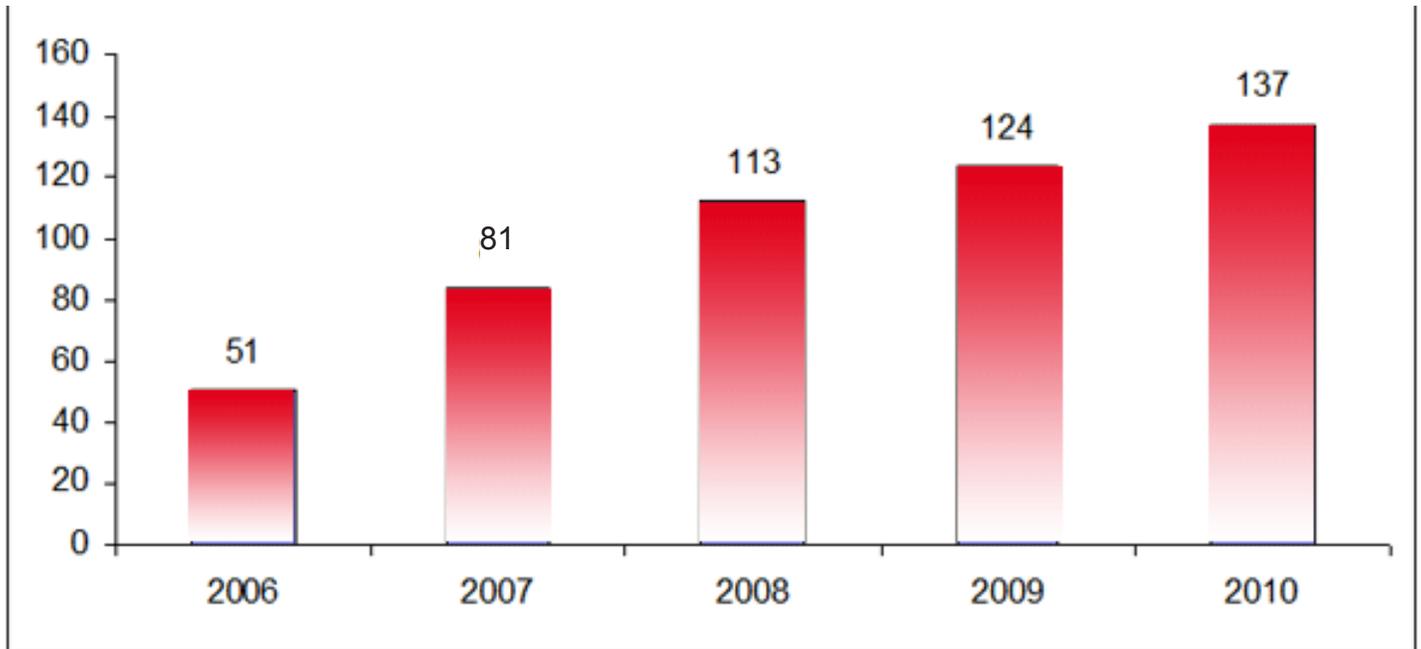


After being hit by competitors entering the market, the company recently launched a Community Wholesale Program. This is to gain back market share from other specialty apparel and department stores. Nike, Gap and Nordstrom, wanting a share in the profits, have recently tried to mimic companies like Lucy Activewear and Lululemon. Nike Inc.'s Salvation chain of athletic-wear stores is selling \$64 training capris and features a yoga-studio format similar to that of Lululemon. Gap Inc.'s Athleta stores sell \$59 women's yoga tops and offer free yoga classes, another Lululemon innovation. Nordstrom Inc.'s Zella line, dedicated to yoga attire, hired a former Lululemon Product Manager to design its products.

Company to Watch: Lululemon Athletica Inc.

Lululemon Athletica Inc. is a sports apparel company known for its pricey yoga gear. In November 2008, the company operated 113 stores. The company ended its last quarter July 31, 2011 with 151 stores in the United States, Canada and Australia.

Lululemon Athletica Store Count

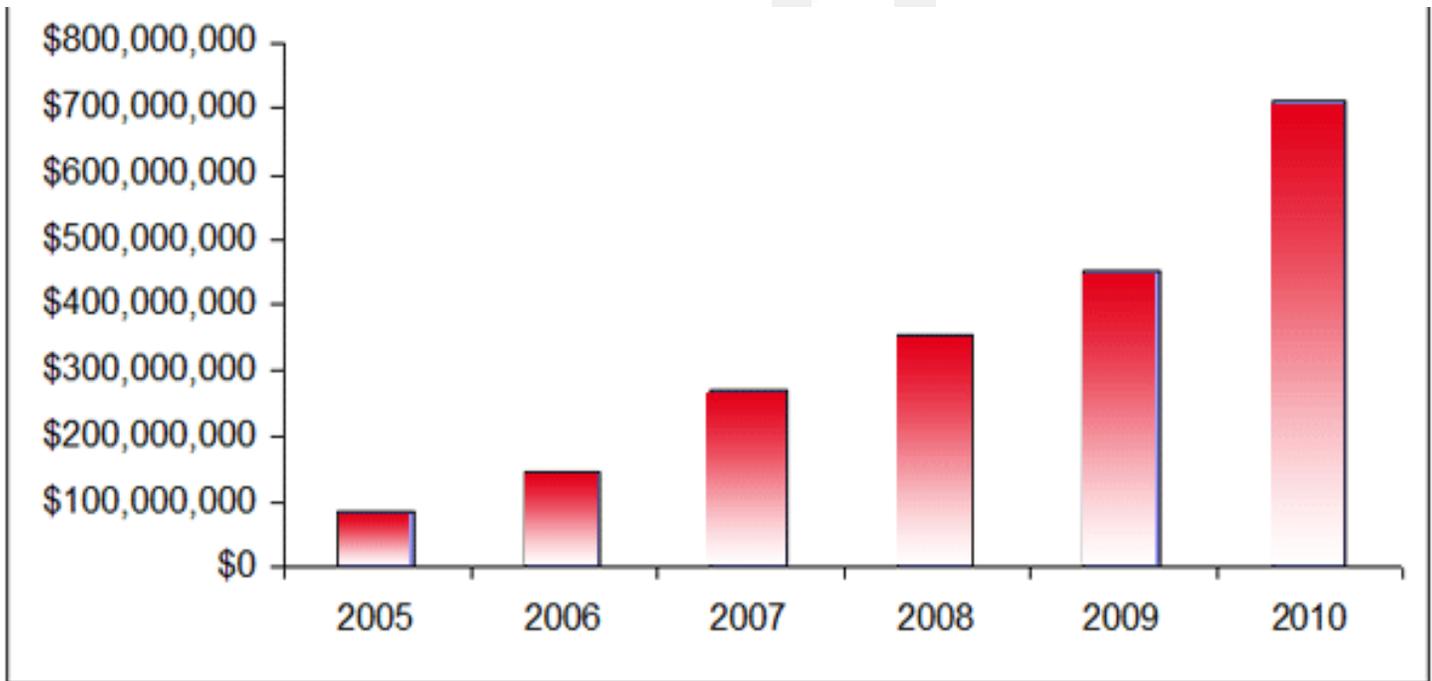


The Vancouver-based company was founded by entrepreneur Chip Wilson in 1998 after he took a yoga class and found clothing then available wasn't ideal for yoga. Setting the bar in technical fabrics and functional designs, Lululemon works with yogis and athletes in local communities for continuous research and feedback. The shops host free yoga classes and employees get involved in charitable work. The stores host events ranging from self-defense to goal-setting workshops to complimentary yoga classes led by its community ambassadors.

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. The company opened its first corporate-owned store in the United States in 2003. In 2005, the company had 20 stores in the US. In 2007, the company announced plans to open about 250 units during a five year period, with 15 stores opening annually in the United States. Lululemon opened net 12 stores in the United States and Canada in fiscal 2010, including one franchised store that was reacquired.

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 and at the time of the November 2008 report the company was not even selling online yet. Lululemon Athletica products are now available online. Lululemon's revenue logged a compound annual growth rate of 52.3% from 2005 to 2009. The company's revenue grew 57% last year, to almost \$712 million. The company recently reported revenue for fiscal 2011 may increase as much as 33% to \$950 million.

Lululemon Athletica Total Sales

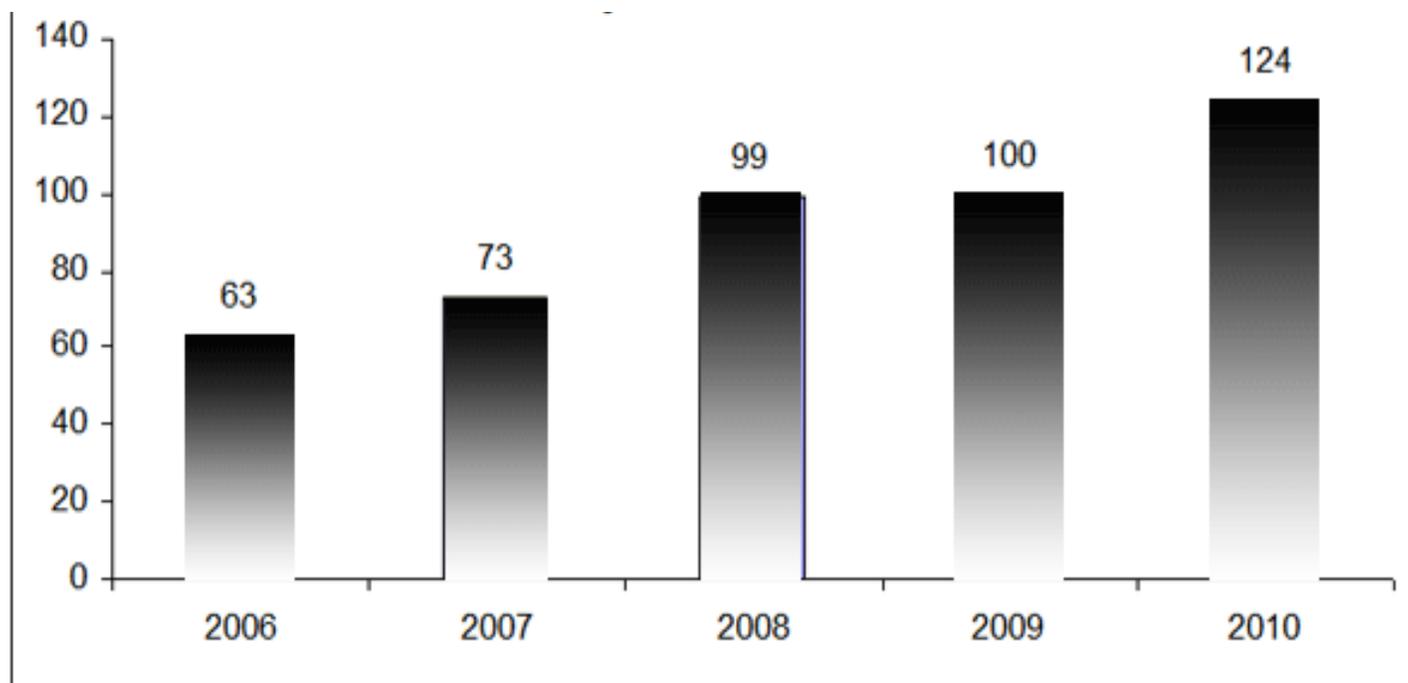


Company to Watch: Tilly's Co.

Tilly's is a leading specialty retailer in the action sports industry selling clothing, footwear, and accessories. Tilly's offers merchandise from the top players in the surf, skate, motocross and lifestyle apparel industries available in stores and online. The company sells 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.

Tilly's began in 1982, when they opened their first store in Los Alamitos, California. The first store was originally called World of Jeans and Tops. When they opened their fourth store in Huntington Beach, California, they changed their name to Tilly's. Tilly's currently operates a total of 124 retail stores in 13 states.

Tilly's Store Count



From 63 stores in 2006 to 124 in 2010, Tilly's doubled their store count in 5 years. Tilly's stores occupy spaces of 6,000 to 10,000 sq. ft. in malls & lifestyle, outlet, power & strip centers. Preferred covenants include Target, Old Navy, department stores, sporting goods stores and movie theaters. Preferred demographics include a population of 300,000 within 10 miles earning \$70,000 as the average household income.

Tilly's headquarters is located in Irvine, CA. The company is known for hosting events at its locations including autograph signings and meet and greets. In addition, the company supports schools and gives scholarships for sports, banners, golf tournaments, and other activities. Tilly's did an estimated \$70 million last year in sales.

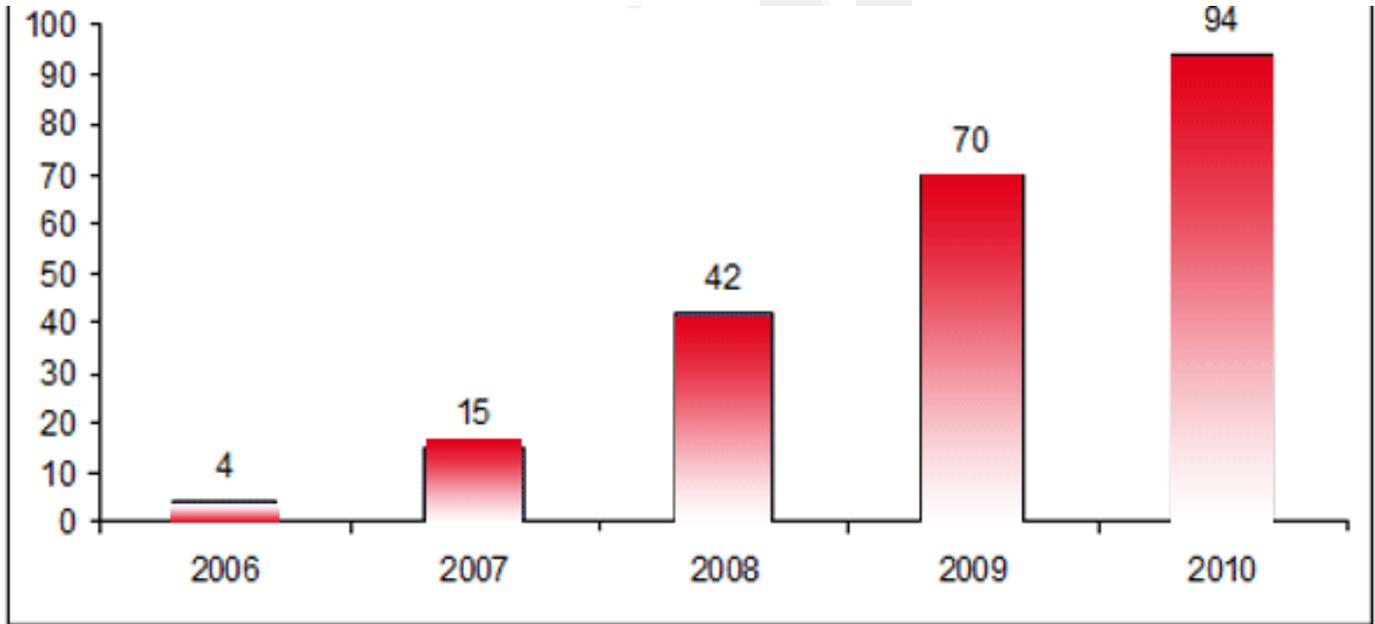
Company to Watch: True Religion Apparel, Inc.

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 121 retail locations, on its web site and in boutiques and premium department stores in 50 countries around the world. True Religion Brand Jeans often sell in the range of \$168 to \$376 per pair at retail.

The company continually updates its product offerings to be seen as a trend setter in the high fashion jeans apparel market. While continuing to expand True Religion's line of jeans and sportswear, the company also branched out into numerous licensed products such as footwear, headwear, swimwear, eyewear, hosiery, socks, and fragrance. 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 a vintage feel. Approximately 80 percent of the company's sportswear is made in the USA by contract manufacturers.

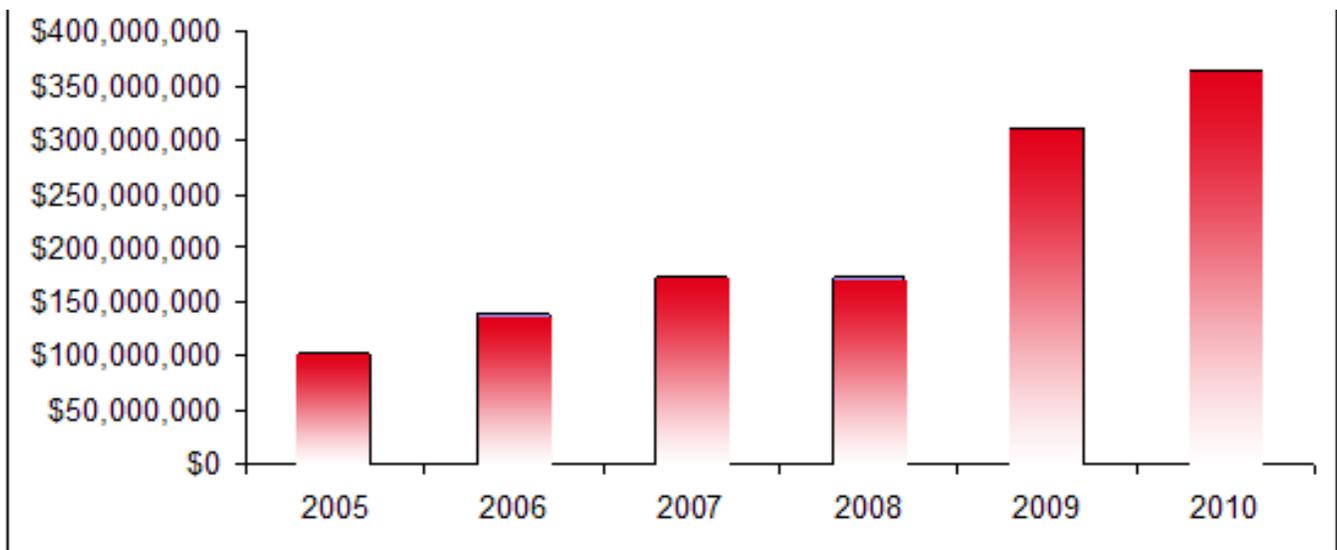
From the beginning of 2008 to the end of 2010, the company opened 79 stores in the United States, reaching 94 total. As of June 30, 2011, the company owned and operated 102 branded retail stores in the United States, three in Canada, three in Japan, two in Germany, and one store in the United Kingdom. The typical retail store is approximately 1,700 square feet, while the typical store located in an outlet center is approximately 2,500 square feet.

True Religion U.S. Store Count



U.S. consumer direct segment generated net sales of \$189.1 million, comprising 52% of total net sales and showed a 46.6% increase. This is due in large part to the fact that the company opened 24 stores during 2010. What must also be noted is that same store sales increased 9.6% and U.S. Wholesale net sales decreased 14.9% to \$104.9 million. This is a trend that seems to be continuing for True Religion. True Religion's commitment to perfect fit and timeless style has solidified its brand position as a leader in premium denim and casual sportswear globally. The company saw a 16.9% increase in total net sales from 2009 to 2010.

True Religion Total Sales



The five chains preceding are all specialty retailers with a niche. Some focus on trend-setting fashion, others on comfort and durability for specific activities. Only two are publicly-traded companies, and they are the two that are largely wholesalers and started as such. The companies range in their store size store count, but have all shown growth in both areas over the past five years.

The apparel companies profiled above can be found in [Chain Store Guide's 2012 Apparel Specialty Stores database](#), which provides detailed profiles of over 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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Natasha has held several management positions in the apparel industry. She received her bachelor's degree in Marketing Management from FL Southern College. Please contact her if you have questions or comments.