

**OUTLOOK**

UK Retail

**RetailWeek**

**AlixPartners**  
*When it really matters.*

# The AlixPartners Growth Retailer Report 2016

Identifying Outstanding Retailers





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## Foreword

# It is with great pleasure that AlixPartners introduces the fourth edition of the UK Growth Retailer Report in partnership with Retail Week.

The retail sector has always attracted a great amount of hyperbole as observers continually attempt to predict winners and losers. Indeed, prior year versions of this foreword have been guilty of doing much the same but in a time of such dramatic change the rollercoaster journey that retailers embark on deserves all the focus, and every superlative, it gets.

2015 was another challenging year for retail. One could argue it was a game of two halves; pre-election and post-election. In the end, pre-election uncertainty as to the outcome of an unpredictable vote led to minimal activity from retailers and consumers. Thereafter, post-election clarity, much to the industry's great frustration, also led to minimal activity from retailers and consumers.

The perceived pent up pre-election consumer confidence simply failed to manifest itself as either footfall or cash through the tills. This, coupled with yet more unseasonal weather in autumn, ensured retailers once again placed all of their eggs in the Christmas basket. Regrettably, Scrooge like behavior dominated and even with a Boxing Day footfall spike, December sales were flat on a like-for-like basis. Subsequently, little has been spoken of the impact on profit of heavy discounting throughout December. This bystander is always suspicious of silence!

Notwithstanding this, as we enter spring 2016 more optimistic observers of retail statistics continue to herald the emergence of green shoots of recovery. Our advice is to tread carefully. The aforementioned consumer confidence and sales volumes are two much heralded statistics which, when read in isolation, in our view mask the commercial reality. Despite its optimistic nomenclature, consumer confidence is a term which flatters to deceive and is simply a measure of consumers' willingness to spend rather than how, where and on what they are spending. Similarly, sales volumes should be read alongside channel and value data to have genuine significance.

This is especially relevant when the retail sector is suffering from a discount pandemic in which increased sales volumes only serve to paper over the cracks. Black Friday and associated discounting behaviors are here to stay and the consumer discount psyche is proving difficult to budge. There's no doubt that the dynamics of the industry have shifted hugely in recent years and 2015 served only to reinforce the change we've seen over that time.

It is with delight, therefore, that this year's winner of the AlixPartners Growth Retailer is a business with an operating model which, perfected over several years, has the scale and flexibility to flourish in today's dynamic environment. Shop Direct is a beacon for retailers looking to evolve and adapt their business models to match changes in consumer behavior. It has made significant investment to support a best in class digital offering. This coupled with a willingness to make tough decisions regarding more outmoded routes to market is clear evidence of its ability to react to the needs of customers and grow market share at the expense of less dynamic competitors. Critics may argue that profits have been slow to come by, but it's clear that the business and its management are taking a long term view to ensure continued relevance while building a sustainable platform for growth. Having spent a significant amount of time researching Shop Direct, it seems clear to us that a business which is not dependent on footfall and has a strong infrastructure to deliver a fully omni-channel offering, is going to thrive in today's volatile consumer market. We congratulate Shop Direct on its success to date and fully expect to see them appear in this list for many years to come.

Dan Coen | Director at AlixPartners

While 2015 was a year that the retail sector was expected to benefit from rising disposable income and consumer confidence, trading conditions have yet to fully reflect this. The retailers in this research report stand out from their peers by having a clear understanding of their customer base, but also how best to meet their needs in a fast-moving consumer landscape.

These needs can be met through different strategies, as shown by the breadth of the 30 impressive retailers that made the cut. These range from value retailers to upmarket brands, and from businesses with no multichannel capabilities, to pure play online retailers.

We are now into the fourth edition of the AlixPartners Growth Retailer Report and Retail Week is honoured to be aligned with the UK's fastest growing retailers that are not only increasing the scale of their businesses, but are also doing so profitably.

It is a testament to the relevance of this research that several retailers featured in this year's report were ranked in previous editions. It is also worth pointing out that the three previous winners of this ranking – Aldi, The Entertainer and The Hut Group – are going from strength to strength and are continuing to gain market share in their respective sectors. I have no doubt that this year's winner, Shop Direct, will be able to take up the challenge.

This report is vital in celebrating the importance of privately run retailers and shines a spotlight on the extraordinary companies driving growth in this sector.

[Chris Brook-Carter](#) | Editor in Chief of Retail Week

## Methodology

### Profit measure

For the AlixPartners Growth Retailer Report, profit is defined as earnings before interest, taxation, depreciation, amortisation and exceptional items with directors' remuneration added back in. Private companies can take widely differing approaches to directors' remuneration depending on their ownership and we have therefore removed this variable to avoid potential distortion.

### Timeframe

Profit growth is measured by compound growth rate over three years based on statutory accounts. The analysis had a cut-off date of 30 September 2015. Companies that have filed their 2015 accounts will have profit measured from 2013 to 2015, whilst companies that had not yet filed 2015 accounts will have profit growth measured from 2012 to 2014.

### Qualifying companies

Qualifying companies have a turnover of at least £30 million and profits of more than £3 million in their latest accounts. They must also have two consecutive years of growth and have been profitable in all three years.

Businesses must be registered in the UK and be independent and unquoted. UK subsidiaries of global businesses are included in the analysis, however, only their performance in the UK has been considered. Companies that have grown through acquisition have qualified for inclusion; however, we have excluded food service companies, wholesalers, car retailers and petrol retailers.

Profit growth is measured by compound growth rate over three years based on statutory accounts. Qualifying companies have a turnover of at least £30 million and profits of more than £3 million in their latest statutory accounts. They must also have two consecutive years of growth and have been profitable in all three years.

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## Enhancing our profiles

Like last year, we have partnered with CACI in order to provide a further insight into the geographic footprint of each retailer and their respective customer profiles. This analysis was conducted using CACI’s bespoke tools which are described below.

### Maps and the Retail Footprint

The maps show the current coverage of each retailer’s store network using CACI’s Retail Footprint catchment model. Darker shading reflects high shares of the available market in each Postcode Sector falling within the catchment of a retail centre in which the retailer is present.

Retail Footprint is CACI’s unique comparison retail catchment model which defines and ranks some 5,000 retail centres in Great Britain and Ireland. Each centre is uniquely assessed by combining all the factors that affect performance, including the quality and quantity of retail provision, centre function and level of competition. The use of extensive credit and debit card data from a leading bank, mobile phone data and extensive face-to-face research gives a unique perspective on the shopping patterns of consumers.

Note: For more detail about Retail Footprint visit: [www.caci.co.uk/products/product/retail-catchments](http://www.caci.co.uk/products/product/retail-catchments) or call 020 7605 6849.

### Acorn profiles and Categories

The Acorn profile charts show how each retailer is positioned in terms of their target consumer groups. An Index of over 100 (above the line) shows that these Acorn Groups are over-represented for this fascia. An Index of below 100 (below the line) shows they are under-represented.

Acorn categories help users to gain a deep understanding of consumers and communities through geo-demographic segmentation of the UK’s population. It segments households, postcodes and neighbourhoods into six Categories, 18 Groups and 62 Types.

Note: Two sources have been used for the Acorn Profiles, using the one with the most robust sample for the retailer or a best available proxy where no suitable question was available relating to the specific fascia: Retail Acorn © CACI 2015 and Target Group Index market research panel © Kantar Media UK 2015).

For more detail about the lifestyle and consumer characteristics of each of the 18 Acorn Groups, and the more detailed 62 Acorn Types visit [www.caci.co.uk/acorn](http://www.caci.co.uk/acorn) or call 020 7605 6849.

<b>Affluent Achievers</b>	These are some of the most financially successful people in the UK. They live in wealthy, high-status rural, semi-rural and suburban areas of the country. Middle aged or older people, the ‘baby-boomer’ generation, predominate with many empty nesters and wealthy retired. Some neighbourhoods contain large numbers of well-off families with school age children, particularly the more suburban locations. Within this category, Acorn distinguishes between ‘Lavish Lifestyles’, ‘Executive Wealth’ and ‘Mature Money’.
<b>Rising Prosperity</b>	These are generally younger, well-educated and mostly prosperous people living in major towns and cities. Most are singles or couples, some yet to start a family, others with younger children. Often these are highly educated younger professionals moving up the career ladder. Many have good incomes, with a cosmopolitan outlook and enjoy their urban lifestyle. Within this category Acorn identifies City Sophisticates and Career Climbers.
<b>Comfortable Communities</b>	This category contains much of middle-of-the-road Britain, whether in the suburbs, smaller towns or the countryside. All life-stages are represented in this category. Many areas have mostly stable families and empty nesters, especially in suburban or semi-rural locations. There are also comfortably off pensioners, living in retirement areas around the coast or in the countryside and sometimes younger couples just starting out on their lives together. Most people are comfortably well off. They may not be very wealthy, but they have few major financial worries. Within this category Acorn identifies Countryside Communities, Successful Suburbs, Steady Neighbourhoods, Comfortable Seniors and Starting Out.
<b>Financially Stretched</b>	This category contains a mix of traditional areas of Britain. Housing is often terraced or semi-detached, a mix of lower value owner occupied housing and homes rented from the council or housing associations, including social housing developments specifically for the elderly. This category also includes student term-time areas. There tends to be fewer traditional married couples than usual and more single parents, single, separated and divorced people than average. While many people in this category are just getting by with modest lifestyles a significant minority are experiencing some degree of financial pressure. Within this category Acorn identifies Student Life, Modest Means, Striving Families and Poorer Pensioners.
<b>Urban Adversity</b>	This category contains the most deprived areas of large and small towns and cities across the UK. Household incomes are low, nearly always below the national average. The level of people having difficulties with debt or having been refused credit approaches double the national average. The numbers claiming Jobseekers Allowance and other benefits is well above the national average. Levels of qualifications are low and those in work are likely to be employed in semi-skilled or unskilled occupations. These are the people who are finding life the hardest and experiencing the most difficult social and financial conditions. Within this category Acorn identifies Young Hardship, Struggling Estates and Difficult Circumstances.

## Analysis

### This year's Report has drawn together another exciting list of top performing retailers.

The fourth edition of the AlixPartners Growth Retailer Report has once again shown that growth is being achieved across the full spectrum of sectors, ranging from general merchandise retailers operating in the value end of the market, to premium fashion retailers as well as more specialist businesses such as gemstone specialist Gemporium and bathroom e-retailer VictoriaPlum.com.

A unifying theme across these businesses is that they are in tune with their core customer. This year's top 30 includes many retailers that have also featured in previous editions of this report, including last year's winner The Hut Group, which narrowly missed out on the top 10 this year.

#### Multichannel

Multichannel developments have underpinned the growth of many of the retailers profiled in this report, but it is interesting to see that a variety of different strategies are being used.

This year's winner of the growth retailer of the year award, Shop Direct, has undergone a digital transformation in recent years and now generates all of its revenues online, having scrapped its last remaining catalogue last year. Other businesses such as fashion

retailers Whistles and Mint Velvet now generate over a fifth of their sales through the online channel and this is also impacting their plans for physical expansion.

However, this is not to say that all retailers have been dependent on their multichannel prowess to achieve growth – among the top ten are two retailers that do not have transactional websites at all: Savers and Tiger Retail. In both these instances, the relatively low price points across the majority of their offerings means that the economics of online retail wouldn't work.

#### Previous winners

We have revisited our previous winners, to see how they are getting on today. Aldi, The Entertainer and The Hut Group continue in their success in their different subsectors. A common theme observed in our past winners is that each is renowned for their unrelenting pursuit and success in bespoke and unique aspirations.

Aldi strives as a leading convenience retailer, unlocking market share through its ability to respond to shifting consumer shopping habits and demands. The Entertainer is reaping the rewards of remaining true to its origins of being a mid-market toy specialist and, finally, The Hut Group continues to evolve and showcase its skills in e-retailing as it expands internationally.

As such, we extend our congratulations to our previous winners and will keep an eye on their performance in our next edition.

#### Previous winners

##### 2013: Aldi

Aldi has continued its assault on the grocery sector and in 2015 overtook Waitrose to become the sixth largest food retailer in the UK. The current price war in the sector has had a slight impact on its margins, however, it remains in a much healthier position than many of the leading grocers. Its UK sales in 2015 are estimated to have reached £6.6 billion.

##### 2014: The Entertainer

The Entertainer is continuing to invest heavily in its opening programme and now has over 120 stores in the UK, while its international expansion has also taken off through franchise deals with partners in the Middle East and Asia. Its sales reached nearly £125 million in the year to January 2015 and it now has a 6% share of the overall toy market in the UK.

##### 2015: The Hut Group

The Hut Group's international expansion continues to be a major driver of its growth. The e-retailer reported that its sales increased by a third to just under £250 million in 2014, of which the international business accounted for over half of all sales. It is now gearing up for further growth through the investment in a new distribution centre which will give it capacity to deal with sales of £1 billion.



## Leadership

This report features the stories of several inspirational retail leaders that have shown a real belief in their businesses and have taken considerable risks to get to where they are today.

This includes Steve Bennett, who founded Gemporia in 2004 but sold out his business to his joint venture partner two years later. With the TV shopping business having run into difficulties, Bennett remortgaged his home and took out a sizeable bank loan in order to buy back the company in 2010.

Tiger Retail's managing director Philip Bier is another example of a retail leader that put everything on the line. As a Dane living in London he was convinced that the Scandinavian homewares retailer Tiger would do well in the UK and he took out a second mortgage in order to bring the brand to the UK.

Among the top ten growth retailers in this report are two businesses that continue to be majority-owned by their founder – Dune and Gemporia. A number of other retailers are led by their founders, but have turned to external investment to fund their expansion plans. This includes bathrooms e-retailer VictoriaPlum.com, which sold a majority stake to the US private equity company TPG in 2014, while more recently Mint Velvet sold a significant stake in the business to the Lewis Investment Trust, which is run by the family behind River Island.

## Physical expansion

The increasingly multichannel world means retailers can get by with smaller store networks; however, it is quite striking to see that a number of the top ranked businesses have focused their physical expansion on concessions rather than standalone stores.

Concessions account for a relatively large proportion of the store network of retailers such as Dune and Whistles, whilst Mint Velvet has even disclosed that concessions accounted for nearly half of its overall sales over its latest financial year.

There are a number of reasons why retailers would opt to expand through concessions. It requires considerably less investment than opening a stand-alone store and allows retailers to have a physical presence in catchment areas that might not be able to support a full store.

Concessions are also a relatively low risk method of expansion and are often used by retailers to establish a first overseas presence. For instance, upmarket beauty specialist Space NK's expansion in the US has greatly benefitted from a partnership with Bloomingdale's department store chain, with both businesses having very similar target markets. Dune and Whistles have also established concessions in premium department store chains in continental Europe.

## Leadership

### Shop Direct

Although a somewhat unlikely retail chief executive, former investment banker Alex Baldock has widely been credited with seeing through the digital transformation of home shopping giant Shop Direct, which now generates all of its turnover through ecommerce.

### Savers

Savers has been led by managing director Doug Winchester since 2014. He joined from sister brand Superdrug – also owned by AS Watson – where he had previously been retail operations director.

### Gemporia

Founder Steve Bennett initially sold out the business to his Thailand-based joint venture partner in 2006, but regained control in 2010. He has overseen a significant turnaround, with operations now spanning the Gemporia ecommerce site and TV shopping channels in the UK, the US and India.

### Edinburgh Woollen Mill (EWM)

EWM's rise has been driven by chief executive Philip Day, who joined the business in 2002. The group now operates over 1,000 stores, with expansion having been aided by several shrewd acquisitions, including that of Peacocks in 2012.

### Tiger Retail

Tiger Retail was brought to the UK by Philip Bier, a Dane who came to London to study photography and never left. Bier opened the first Tiger store in the UK in 2005 and operates all Tiger stores in the South East as a joint venture with parent company Zebra A/S.

### Dune

Daniel Rubin, who founded Dune in the early 1990s, continues to lead from the front as executive chairman. He was joined by chief executive John Egan – previously chief operating officer at Shoe Studio Group – in 2008.

### VictoriaPlum

Despite having sold a majority stake to private equity company TPG in 2014, co-founder Jason Walker continues to lead VictoriaPlum.com as chief executive.

### Space NK

Nicky Kinnaird, the high profile founder of Space NK, ended her involvement with the beauty specialist in 2014. She had already handed over the reins to chief executive Fraser Allan – previously finance director at the Liberty department stores – in 2009.

### Mint Velvet

The three founders of Mint Velvet – chief executive Liz Houghton, brand director Lisa Agar-Rea and design director Jane Rawlings – continue to lead the retailer, but their stake in the business has been diluted following the recent investment by the Lewis Trust Group.

### Whistles

The Whistles brand has been transformed following the management buy-in of former Topshop brand director Jane Shepherdson in 2008. She repositioned the business to target a younger customer base and turned it into a stylish brand with a growing international following.



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## 1. Shop Direct Home Shopping (Shop Direct)

### Shop Direct's rapid transformation from traditional catalogue business to world-class digital retailer has propelled it into top position.

Over the last decade, Shop Direct has transformed itself from a traditional catalogue business into a world-class digital retailer. The company was initially developed out of the Littlewoods home shopping business through the acquisition of the mail order business GUS in 2003 and the subsequent exit from the high street through the sale of Littlewoods' store network in 2005. Today the company exclusively focuses on home shopping activities.

Since 2012, the transformation process has been overseen by the group's chief executive Alex Baldock, a former investment banker, whose appointment to succeed the highly regarded Mark Newton-Jones raised plenty of eyebrows.

Shop Direct trades through a number of different brands that target different segments of the market. In 2015, it consolidated some of its smaller brands such as Isme and K&Co into its two power brands: Very and Littlewoods. Both brands offer goods on credit and carry a department store range across categories such as fashion, sports & leisure, home & garden, electricals, jewellery, toys and gifts.

The brands are most differentiated in their fashion offering. The young fashion brand, Very, competes head on with Asos and Next Directory and is now the group's biggest brand in terms of sales. Its appeal was widened in February 2015 through the launch of Very Exclusive, which is delivering on Baldock's commitment to make "good things easily accessible to more people" by making luxury brands available on credit.

Littlewoods has an older target market than Very and describes its core customer as a busy parent who is attracted by the option to pay in interest-free bite-size amounts each week.

Following the cull of its last remaining catalogues in 2015, the group has become 100% digital with web traffic breaking 1 million per day during the most recent financial year. This is an impressive achievement considering catalogue sales accounted for three quarters of its revenue just three years earlier.

Recent results have shown that Shop Direct has made huge strides in its transformation into a digital retailer. The group reported that sales of its retail activities – which excludes its Yodel fulfilment business – increased by 2.6% to approaching £1.3 billion in the year to June 2015.

This growth was largely driven by Very, which reportedly achieved sales growth of 21.1% to £850 million, although partially offset by declines at some of its smaller brands that have since been closed or subsumed into Very or Littlewoods. Mobile is also rising in significance, accounting for 54% of sales during 2014-15.

The retail business also reported a significant improvement in profitability over 2014-15. Over the year, pre-tax profit increased by 75% to £56.3 million, driven by investment in big data and personalisation.

Shop Direct aims to offer each customer an experience as unique as she is. Baldock says: "We've tailored her online experience, including the marketing that brings her in, the online shop she then enters, and the way we engage with her after she's bought. Our investment in big data and technology has started to pay off and is making these new levels of personalisation possible."

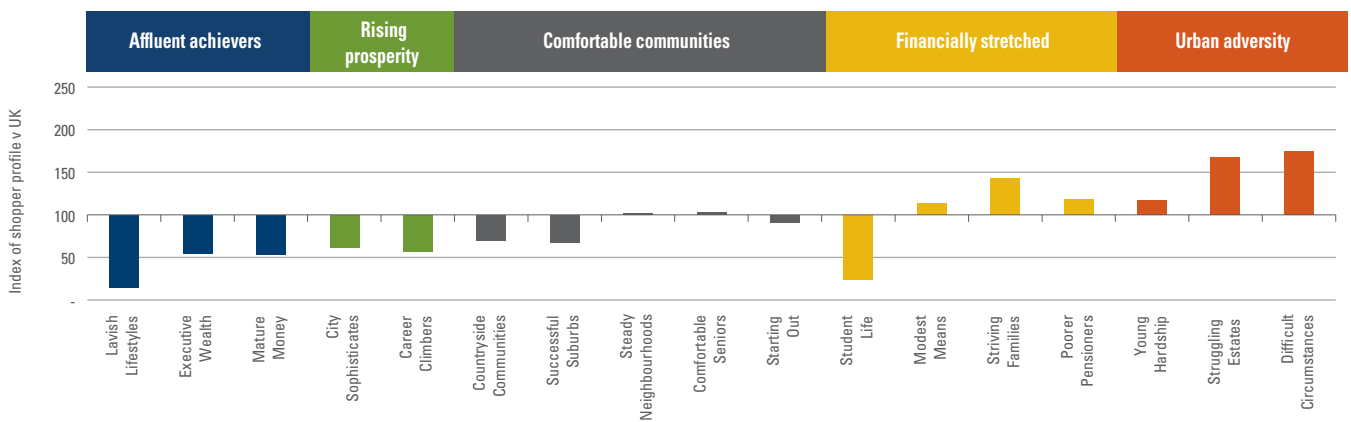
As the focus has been on completing the transformation of the UK business, international development has taken a backseat. Shop Direct previously had a fledgling international business, including a European website for Littlewoods and a US site for Very, but these have all been closed down in recent years. It is not known when or if the business will start pursuing international expansion again.

While Shop Direct has now reported a profit over its last three financial years, Baldock feels there is still more work to be done. He says: "We're nowhere near the finished article and we've only scratched the surface of the full potential here. The competition is ferocious so we must and will continue to invest heavily in our digital future, and keep up the pace on our transformation. These are exciting times for Shop Direct."

### Who shops at Shop Direct Home Shopping?

CACI observes that Shop Direct’s continued success is primarily driven by its strong appeal and loyalty amongst the lowest income consumers. The business has its highest penetration amongst the ‘Struggling Estates’ and ‘Difficult Circumstances’ Acorn Groups. Furthermore, the business has reasonably strong performance amongst the Steady Neighbourhoods Group, which sits exactly in the middle of the demographic spectrum and, as the second largest demographic group in the UK, helps to drive sales volume.

FIGURE 1: Shop Direct’s Acorn shopper profile compared with the UK average



Acorn Profile source: TGI Market Research Panel. Shopped Littlewoods/Very Catalogues. Target Group Index © Kantar Media UK 2015.

“The competition is ferocious so we must and will continue to invest heavily in our digital future, and keep up the pace on our transformation. These are exciting times for Shop Direct.”

Alex Baldock | CEO | Shop Direct Home Shopping

### AlixPartners comment

**Continued investment into its digital offerings has allowed Shop Direct to move seamlessly into the online retail space, resulting in an astonishing upsurge in sales in recent years. We expect Shop Direct to continue investing and growing its digital capabilities to ensure it stays at the forefront of the online movement and access the full breadth of its target market.**

## 2. Savers Health and Beauty (Savers)

The health and beauty retailer's key operational improvements have driven profits and allowed it to fend off stiff competition from discount store retailers to enter the Growth Retailer at number two.

Founded in the North East in 1988, Savers rose to prominence through the acquisition of 115 Supersave stores at the turn of the century.

The network of 175 stores soon attracted the attention of the Hong Kong-based conglomerate Hutchison Whampoa, who bought the business in 2000 and made it part of its AS Watson health and beauty retailing business.

The subsequent acquisition of Superdrug in 2006 grew the portfolio to over 400 stores and formed the basis of an initial plan to integrate the two businesses in order to achieve operational efficiencies. This led to a considerable rationalisation of the Savers network, which was reduced from over 400 stores to 241 stores by 2007, with many of its larger stores converted to the Superdrug fascia.

Savers offers a discount range of around 2,500 health and beauty products that are aimed at female shoppers in the over 45 age category. Costs are kept low by operating in secondary sites with lower rents.

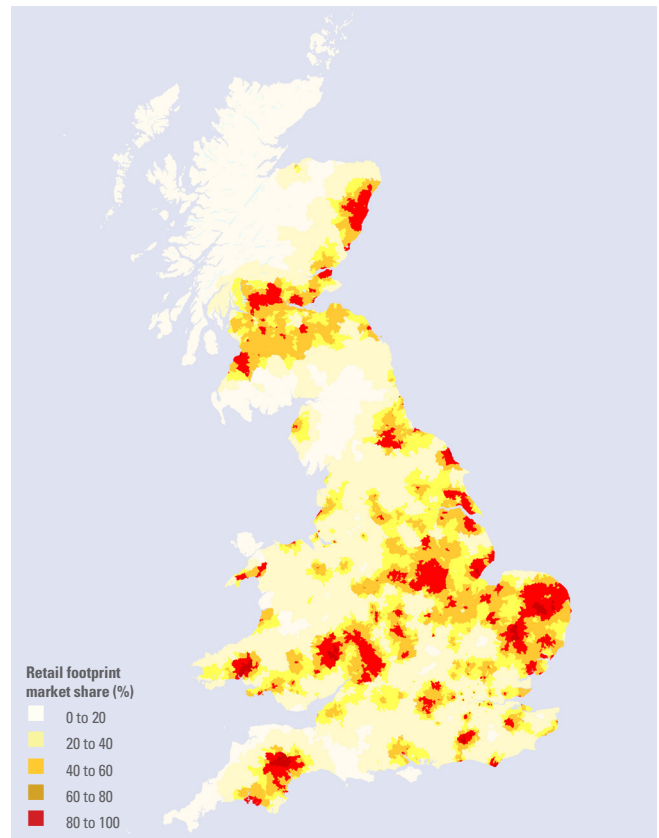
Despite its discount positioning, Savers initially struggled during the economic downturn and it was loss-making until 2011, suffering under the competition generated by general merchandise discounters such as Poundland and B&M who were increasing their focus on health and beauty items.

However, since 2012 Savers' performance has been on a clear upward trend, returning to profitability and maintaining a healthy level of sales growth. This has been partly due to a repositioning that has maximised Savers' very strong value credentials, but also additions to the core range, including the introduction of a greater range of fine fragrances as well as household items and OTC medicines and vitamins.

Profitability has been further boosted by strengthening relationships with suppliers in order to gain access to lower prices, as well as investing in the IT infrastructure to improve in-store product availability. Savers also trades through compact units, allowing it to achieve sales densities in excess of £1,000/sq ft – and these have continued to rise in recent years.

The repositioning of Savers in the market and the expansion of its product range has been reflected in its financials. In its latest accounts for the year to December 2014, Savers reported that its sales increased by an exceptionally strong 21.6% to £299.9 million.

FIGURE 2: Share of the local market currently served by Savers Health and Beauty stores



Source: Contains public sector information licensed under the Open Government Licence v3.0. Data Source © 2014 TomTom © 2015 CACI Limited and all other applicable third party notices can be found at <http://www.caci.co.uk/copyrightnotices.pdf>  
Note: Retail Footprint market share of the local market currently served by all stores.

This growth was also boosted by the addition of 46 new stores, taking its store network to just under 300.

Furthermore, like-for-like sales are also expected to remain positive – an impressive achievement considering the aggressive price war currently being waged by the grocers, which hold a sizeable share of the health and beauty market.

During 2014, the retailer's pre-tax profit more than doubled to £19.6 million, up from £9.0 million in the previous year. This gives it a pre-tax profit margin of 6.5%, a relatively high level for a discount-oriented retailer.

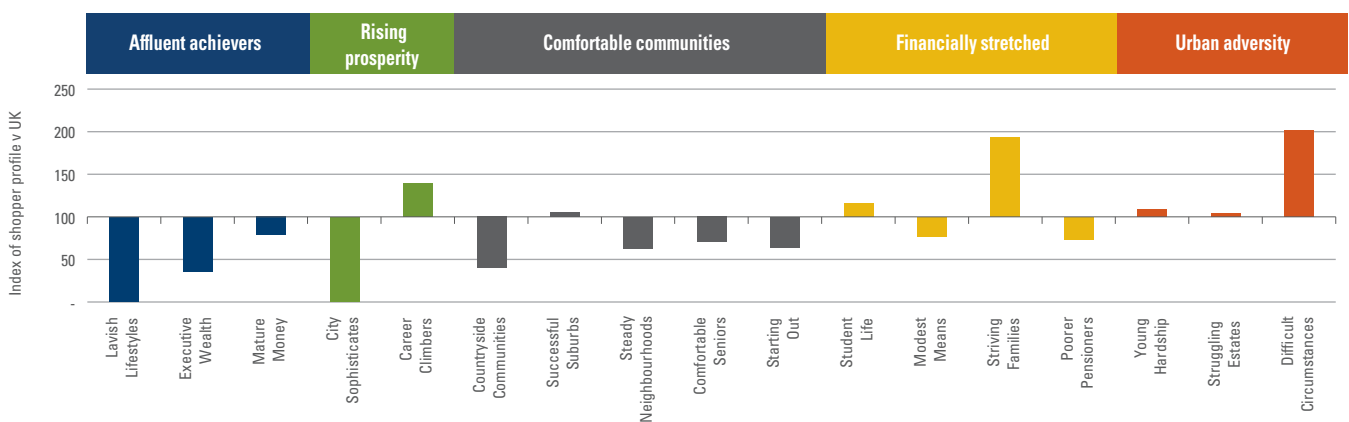
Looking ahead, the health and beauty specialist has said it will continue to focus on providing competitively priced branded products in its core categories of household, hair and health, but will also introduce new products to capitalise on the popularity of discount shopping among consumers.

Any future sales growth will need to be generated through a combination of like-for-like sales growth and the opening of new outlets as Savers does not operate a transactional website.

### Who shops at Savers?

According to CACI, the Savers discount format is clearly well targeted and meeting the needs of its lower income core customer, with strong performance amongst 'Striving Families' and 'Difficult Circumstances' Acorn Groups. Its convenient local stores in urban areas also appeal to the local younger shoppers found in the Career Climbers and Student Life Groups. It does not yet appear to be benefitting from the growing acceptance of discount formats among more affluent segments.

FIGURE 3: Savers' Acorn shopper profile compared with the UK average



Acorn Profile source: CACI's Shopper Dimensions Survey. Shop at Savers. Copyright – © 2015 CACI Limited.

Over the coming years, Savers plans to continue to expand its retail footprint in the UK, particularly in areas where discount retailers are still underrepresented.

CACI's market share data for the retailer's geographic estate shows that there are still vast swathes of the country that do not currently have access to a Savers store. According to CACI, this reflects Savers' focus on opening primarily in small, value, retail centres with localised catchments. With an increasing number of such low cost locations available across the UK, there should be plenty of scope for Savers to extend its store network.

“Savers continued success is supported by their appeal to, and loyalty amongst, the lower income consumers. Their convenient local stores in urban areas also appear to appeal to the local younger shoppers found in the Career Climbers and Student Life Groups.”

Paul Langston | CACI

### AlixPartners comment

**Savers has experienced impressive growth in the highly competitive discount store market. Investment into expanding its core product range should help the retailer broaden its customer base and support further market share growth.**

### 3. Gemporia (The Colourful Company Group)

#### Top 10 newcomer Gemporia has risen to prominence after the return of its founder, Steve Bennett.

Gemporia has its origins in Gems TV, the TV shopping business founded by serial retail entrepreneur Steve Bennett in 2004. Bennett had previously found success with computer, music and software e-retail business Jungle.com, which Bennett sold to Great Universal Stores for £37 million in 2000.

Gems TV specialised in genuine gemstones and jewellery and was the UK's first reverse auction shopping channel. This is a concept where the prices of items are gradually reduced until all stock is sold. Prices are competitive as gemstones are purchased directly from the source and the middleman is cut out.

In order to promote further growth, Bennett entered into a merger with the retailer's main supplier, Thailand-based Thaigem. However, relations soon soured and Bennett sold out in 2006, with the company subsequently floating on the Singapore stock exchange. Under its new ownership, the business set up TV shopping networks in Germany, the US, Japan and China – but its hasty overexpansion meant losses were soon mounting.

In 2010, after a four year absence, Bennett bought back the company's UK operations when the business was reportedly losing £500,000 a month.

Under Bennett's guidance, Gemporia returned to its initial market offering, focusing exclusively on selling genuine gemstones to hobbyists and collectors. This contrasted to the approach taken by its previous owners, which had shifted the business towards jewellery and cheaper gemstones – putting it into more direct competition with a wide range of high street and online retailers.

Bennett claims to have turned the business around "overnight", with Gemporia back on track within several months. Not only were sales boosted by refocusing on its core customer, but overhead costs were cut and a new management team installed.

The retailer now sells through three TV channels as well as the Gemporia ecommerce site. The Gemporia brand has become its main focus and in December 2015 the company rebranded the Rocks TV channel as Gemporia. It has since also started selling a collection of gemstones under the Gemporia brand in House of Fraser stores.

The channels broadcast 24 hours a day and are fronted by presenters who talk minerology in four hour shifts. Some auctions can prove particularly successful, with the retailer receiving 3,000 calls an hour and generating turnover of £250,000 in just four hours.

Internationally, it broadcasts 24 hours a day in the US, while it also launched the Gemporia channel in India in autumn 2015, through a joint venture with local jewellery manufacturer Pink City Jewel House. A foray into Germany proved to be less successful though and operations were closed in 2013.

The company's new found success has been reflected in its financial performance. Turnover has grown rapidly, having recently broken through the £100 million barrier. This compares with sales of £54.4 million under its first full year back under the ownership of Bennett.

During the year to March 2015, sales increased by 7.5% to £107.1 million on which it made a pre-tax profit of £8.4 million, up from £3.2 million in the previous year. The company therefore achieves healthy profit margins, which is impressive given that it operates its own broadcasting facility, call centre and warehouse operation in Redditch, where it is one of the largest employers in the area.

Sales growth is not only being pursued to increase profits, but also to fund Bennett's charity work. From the beginning, Gemporia has been set up to do business fairly, working closely with the local communities from where the gemstones are sourced. In 2014 Bennett founded EqualWorld.com, which is the world's only not-for-profit TV shopping channel. This venture aims to provide a route to market for social enterprises from disadvantaged communities, but is also a platform for mainstream goods, with all proceeds going to charity.

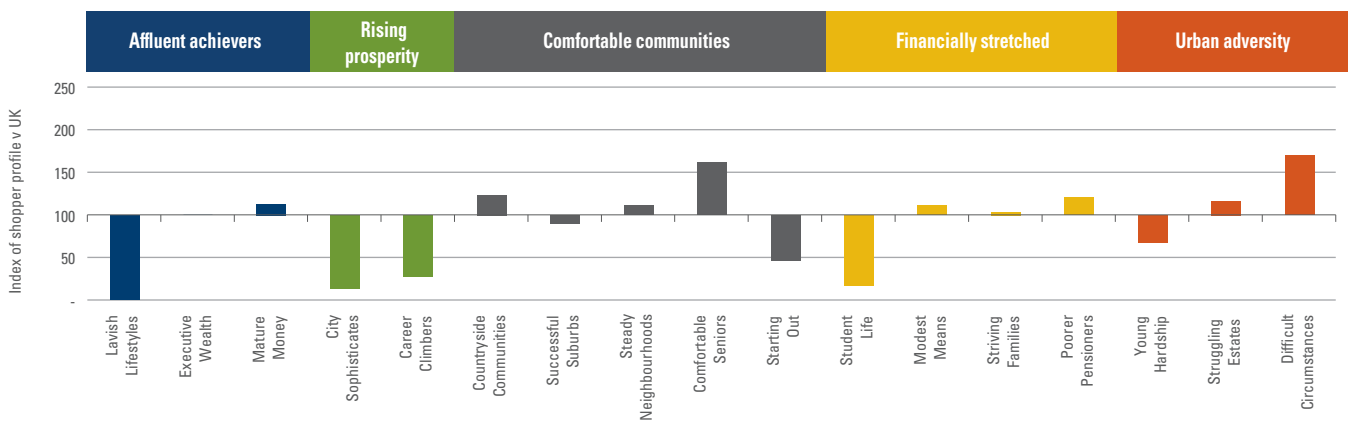
Given Bennett's previous experience with joint ventures and mergers, it is quite likely that Gemporia will remain an independent business for the foreseeable future. It is currently very much a family-run business, with wife Sarah responsible for designing jewellery, while his brother John is commercial director. Steve and Sarah's son Matt, a qualified gemologist, has also joined the business as sales manager.



### Who shops at Gemporia?

Back under ownership of its founder, Steve Bennett, since 2010, the retailer has refocused on its core customer of gemstone collectors and hobbyists. This also ties into its TV shopping format, where presenters educate viewers on the product offer. Gemporia’s current approach contrasts to that taken by its previous owner, who had shifted its attention towards sales of lower value gemstones and costume jewellery.

FIGURE 4: Gemporia Acorn shopper profile compared with the UK average



Acorn Profile source: TGI Market Research Panel. QVC is in my top 3 channels. Target Group Index © Kantar Media UK 2015.

“Serving such a niche market it is difficult to gauge the profile and market reach of Gemporia. However, based on a small sample of consumers claiming to be big fans of the main TV shopping channel, it appears that age is likely to be the main driver of TV shopper demographics.”

Paul Langston | CACI

### AlixPartners comment

**Gemporia clearly understands its target market and differentiated itself from the outset by being the UK’s first reverse auction shopping channel. Since Bennett’s return to the helm, the company has experienced exponential growth and we hope it can continue on this upward trajectory. The challenge Gemporia now faces is to establish a physical footprint, and in doing so it must ensure that attention on its core customer is not lost.**

## 4. Edinburgh Woollen Mill (EWM)

### Edinburgh Woollen Mill retains its spot in the Growth Retailer top five for a second consecutive year.

EWM opened its first store in Edinburgh in 1970 and, following a series of acquisitions, has rapidly expanded its store network with a current nationwide presence of 380 stores.

The clothing retailer's product range has traditionally focused on woollens, knitwear, casual outdoor wear and cashmere products. However, the offering can differ per store as the retailer operates three distinct types of outlets; men and womenswear for mature customers, specialist tourist gift stores and destination stores trading under local, individual fascia's such as Antartex Village, Masson Mill and Kernow Mill.

The retail acquisitions were led by chief executive Philip Day. The list of acquisitions have included; household textiles retailer Ponden Mill in 2008 (now trading through 107 stores), golf fashion brand Pro-Quip in 2009 and young fashion retailer Jane Norman in 2011 (currently active with six concessions in the UK and around 75 concessions internationally in Europe and the Middle East).

The most significant acquisition took place in early 2012, when EWM bought value fashion retailer Peacocks out of administration. EWM managed the successful turnaround of the brand and Peacocks currently trades through 470 stores in the UK.

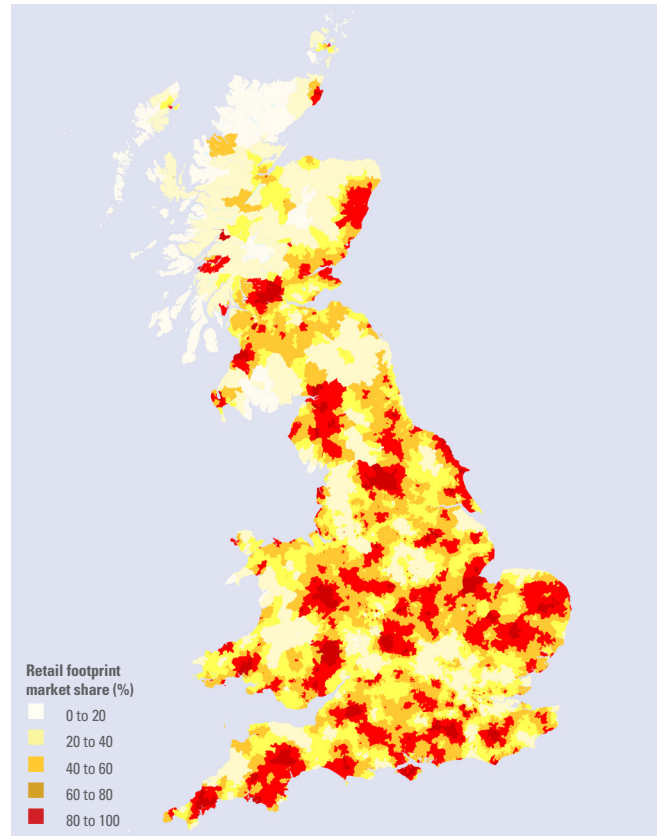
All of the acquired retail businesses have been integrated under the Edinburgh Woollen Mill Group umbrella, with the business now operating close to 1,050 outlets in total. Despite this significant presence, EWM is planning further expansion. Following the publication of its latest accounts in late 2015, the group said that it plans to open 53 stores in the current 2015-16 financial year and a further 100 new stores are pencilled in for the next two years.

CACI's mapping of the share of the local market currently served by EWM stores, shows that the combined group – including Ponden Home, Peacocks and Jane Norman concessions – now has an excellent geographical reach into much of the UK, reflected in the considerable amounts of red shading in the map.

CACI comments that the group's clear focus on its target demographics and preference for relatively low rent, less desirable locations means it has a relatively weak presence in many of the nation's largest city catchments, which attract a larger proportion of more affluent customers. However, the acquisition of Peacocks has successfully picked off the smaller local centres in urban areas, where Peacocks is able to meet the demand from lower income groups.

Despite its acquisitive nature in recent years, EWM's financial performance has continued to go from strength to strength and the group also featured in the top ten of this ranking in last year's edition of this report.

FIGURE 5: Share of the local market currently served by Edinburgh Woollen Mill stores



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Note: Retail Footprint market share of the local market currently served by Edinburgh Woollen Mill, Peacocks, Jane Norman & Ponden Home.

The Edinburgh Woollen Mill Group reported that its sales increased by 1.9% to £562.6 million in the year to February 2015, placing it just inside the top 50 largest UK retailers by sales. During the year, it said that like-for-like sales had been "positive" at the EWM fascia as it benefitted from growth in foreign visitors to UK tourist sites as well as the expanding over-40s market. However, overall sales fell slightly due to the closure of a number of underperforming stores.

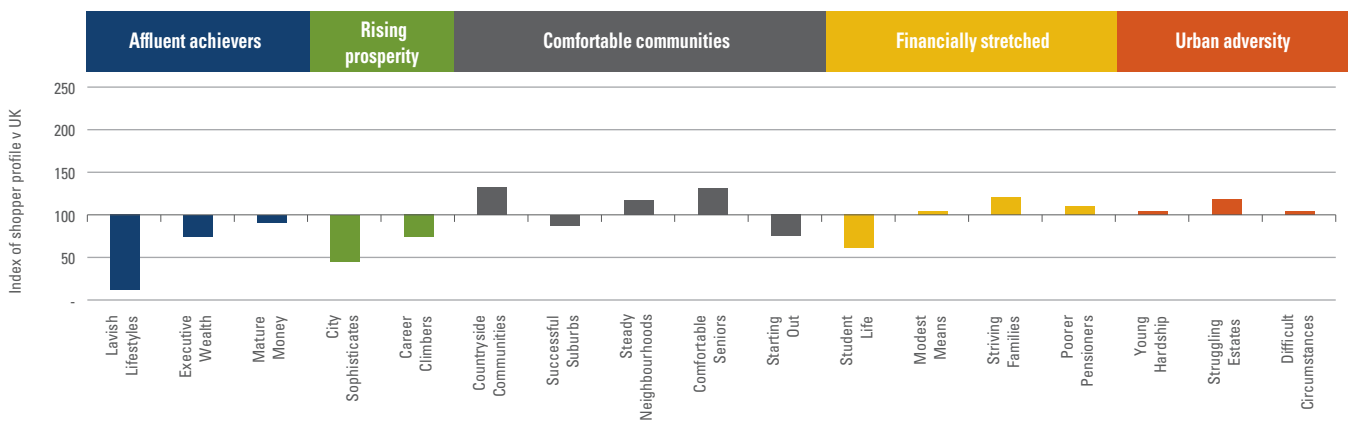
Meanwhile, Peacocks experienced an exceptionally strong year, with sales increasing by 8% to £351.7 million. This business accounted for 62.5% of group sales, clearly benefitting from the £150 million investment it has received since being bought out of administration in 2012.

The group also reported that its pre-tax profit increased by over 25% to £91.2 million, giving it a pre-tax profit margin of over 16%. This is considered a high level for a fashion retailer operating in the competitive mid and value-end of the market. According to the retailer this margin growth was driven by a better control of sourcing and input prices.

### Who shops at the Edinburgh Woollen Mill Group?

CACI’s analysis of EWM shows that its multi-brand strategy appeals strongly to Middle Britain and lower income groups, with strong performance in ‘Countryside Communities’, ‘Financially Stretched’ and ‘Urban Diversity’. The acquisition of Peacocks in 2012 would have strengthened its appeal among lower income groups, however, its preference for secondary locations means it is potentially missing out on areas where the ‘Affluent Achievers’ and ‘Rising Prosperity’ Groups might shop.

FIGURE 6: Edinburgh Woollen Mill Group Acorn shopper profile compared with the UK average



Acorn Profile source: TGI Market Research Panel. Shopped at Edinburgh Woollen Mill, Peacocks, Jane Norman in 12 months. Target Group Index © Kantar Media UK 2015.

“The combined group, including Ponden Home, Peacocks and Jane Norman concessions now has excellent reach into much of the UK.”

Paul Langston | CACI

### AlixPartners comment

**A number of astute acquisitions have seen EWM go from strength to strength in recent years – evidenced by its second consecutive position in the Growth Retailer top ten. With further network expansion planned in the next two years, EWM will be able to broaden its geographical reach and continue on its growth trajectory.**

## 5. Tiger Retail (Tiger)

In the last decade, Danish homeware retailer Tiger has become one of the fastest growing variety retailers in Europe.

Tiger was founded in Copenhagen in 1995 and sells a wide range of inexpensive homeware and general merchandise. Often compared with Ikea, Tiger has not only Scandinavian roots and a design ethos, but its store design also guides customers around a pre-determined path through the store.

Offering value is at the heart of the business and Tiger was originally conceived as a poundshop, having taken its name from the Danish pronunciation of ten krone. It has since become a multi-price format, the vast majority of the product range in the UK priced between £1 and £3, focusing on cheap items without compromising on style. The Danish retailer, which established its first UK store in 2005, currently operates over 400 stores in 26 countries, with slight variations in its branding depending on the market.

Tiger was brought to the UK in 2005 by Philip Bier, a Dane who came to London to study photography and never left. He was convinced there was a market for the concept as Scandinavian style had always appealed to Brits – whether on television or high streets – and he took out a second mortgage in order to open a first store in Basingstoke.

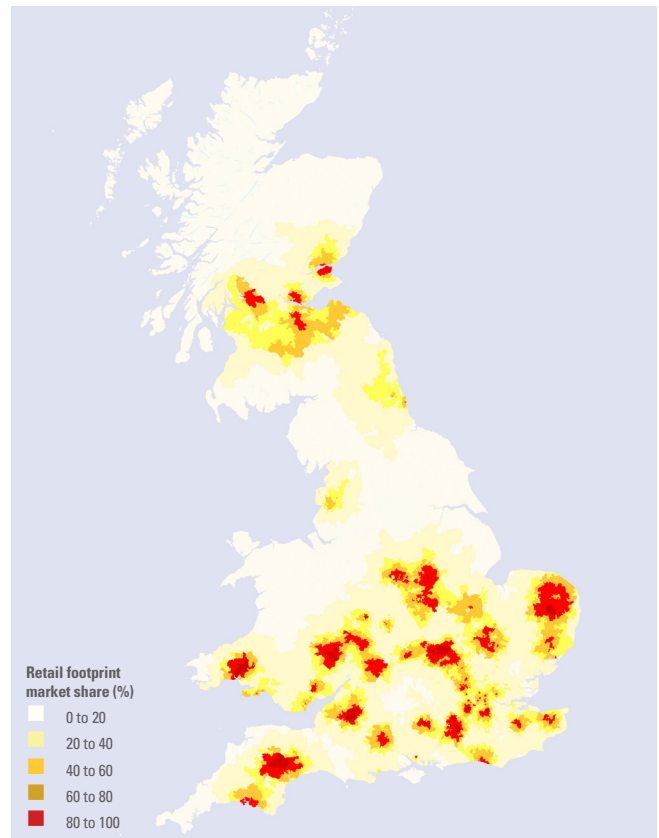
Bier's foray into retail initially had a slow start and it took some time for him to refine the store format in terms of the product offer and locations used. Having been described as a "posh Poundland", it is perhaps no coincidence that Tiger is currently focusing on opening stores in more premium locations, with recent store openings having included Richmond and the Westfield shopping centre in Stratford.

Tiger operates in the UK through regional operators, with the local partner taking a 50% stake and the remainder held by Tiger's parent company Zebra A/S. In the UK, Bier manages Tiger Retail Ltd – whose financial metrics were used for this ranking – which operates the London and South East territory. There are separate companies that manage stores in the Midlands, Wales and Scotland, but more than half of Tiger's 75 stores in the UK are currently operated by Bier.

CACI's map of Tiger's overall geographic estate in the UK shows the share of the local market served by the format. CACI comments that because of the broad appeal of the concept, Tiger is now perfectly placed for further growth, particularly as there remains huge amounts of the country that match its target demographics but do not have access to a store.

Tiger's success is reflected in its recent financial performance. Tiger's latest accounts for the year to December 2014 show that its turnover increased by 44.1% to £30.7 million. While sales benefitted from the addition of six new stores, the business would

FIGURE 7: Share of the local market currently served by Tiger Retail stores



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Note: Retail Footprint market share of the local market currently served by all stores.

also have achieved exceptionally high like-for-like sales growth, although it does not disclose any specific figures.

Tiger Retail's expansion has not come at the expense of profitability and its pre-tax profit doubled to £4.8 million in 2014. This gives it a pre-tax profit margin of 15.6%, which can be considered a high level for a business that operates in the value end of the market.

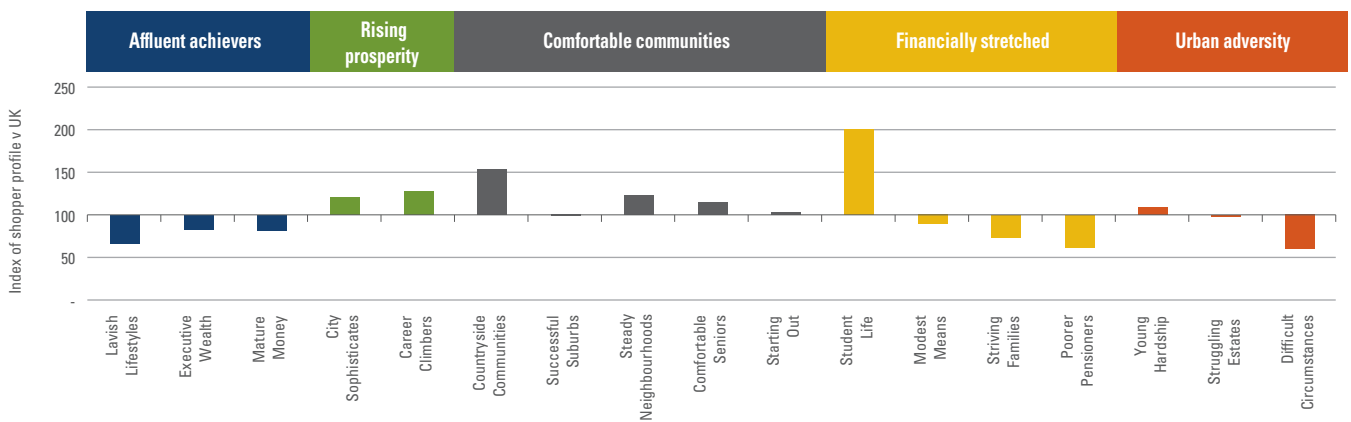
Bier is confident that Tiger will be able to maintain momentum in the UK over the coming years. In 2014 he told Retail Week: "If you had said to me in 2005 that I would have 26 stores and 400 employees and a store on Oxford Street, I would have said 'what planet are you on'? But what is interesting about expectations is that you just move the goalposts all the time. Now, if you said that in a few years I might have a thousand employees and EBITDA of £15 million I would say 'yeah, probably'."

Any future growth will have to come from the existing store network and new outlets though as Tiger does not have a transactional website in the UK and has no plans to launch one in the immediate future.

### Who shops at Tiger Retail?

CACI comments that Tiger’s recent growth in the UK has mainly been driven by the rise of middle class bargain hunters and this is reflected in the shape of its Acorn profile, which is strongly focused on the middle of the demographic spectrum. Its appeal is lowest amongst the ‘Affluent Achievers’ Groups at the upper end, and the lower income ‘Urban Adversity’ Groups.

FIGURE 8: Tiger Retail Acorn shopper profile compared with the UK average



Acorn Profile source: CACI’s Shopper Dimensions Survey. Shop at Tiger. Copyright – © 2015 CACI Limited.

“If you had said to me in 2005 that I would have 26 stores and 400 employees and a store on Oxford Street, I would have said ‘what planet are you on’? But what is interesting about expectations is that you just move the goalposts all the time. Now, if you said that in a few years I might have a thousand employees and EBITDA of £15 million I would say ‘yeah, probably’.”

Philip Bier | UK Managing Director | Tiger Retail

### AlixPartners comment

**Tiger’s impressive performance in recent years has been led by its ability to expand its geographic footprint and successfully tap into its large target demographic. We expect the retailer’s continued expansion to offer further scope for sales growth in the UK market. However, with no plans to launch a transactional website in the near future, it will be interesting to observe how Tiger ensures that it continues to capture its desired customer base as consumers’ online preferences continue to grow in significance.**

## 6. Dune

### Global network expansion has seen a surge in sales for specialist footwear retailer Dune.

Dune is an upmarket specialist footwear retailer that initially traded through a concession in a Jane Norman store, until it opened a standalone store on London’s Kings Road in 1993 and continued its expansion ever since.

Dune originally focused on fashionable yet affordable footwear and accessories for women but has expanded its offering to include men’s footwear which currently accounts for approximately 25% of its sales. The brand repositioned itself towards the upper end of the market in 2007 – a timely transition as midmarket footwear specialists came under increased pressure from fast fashion retailers such as New Look and Zara moving into footwear.

Dune describes itself as a stylish and sophisticated brand. It traded exclusively through its eponymous fascia until 2009 when it acquired Shoe Studio Group (SSG), which had fallen into administration after its parent company Baugur had collapsed. This brought a number of new brands into the fold including Bertie, Pied à Terre and Chelsea Cobbler, although their physical presence is now restricted to concessions.

At the time of writing, Dune trades through 41 standalone eponymous stores in the UK as well as 139 concessions in department stores such as John Lewis, Debenhams and Selfridges. The business also operates all footwear departments in House of Fraser stores and has recently focused on opening travel terminals such as Gatwick airport and St Pancras station.

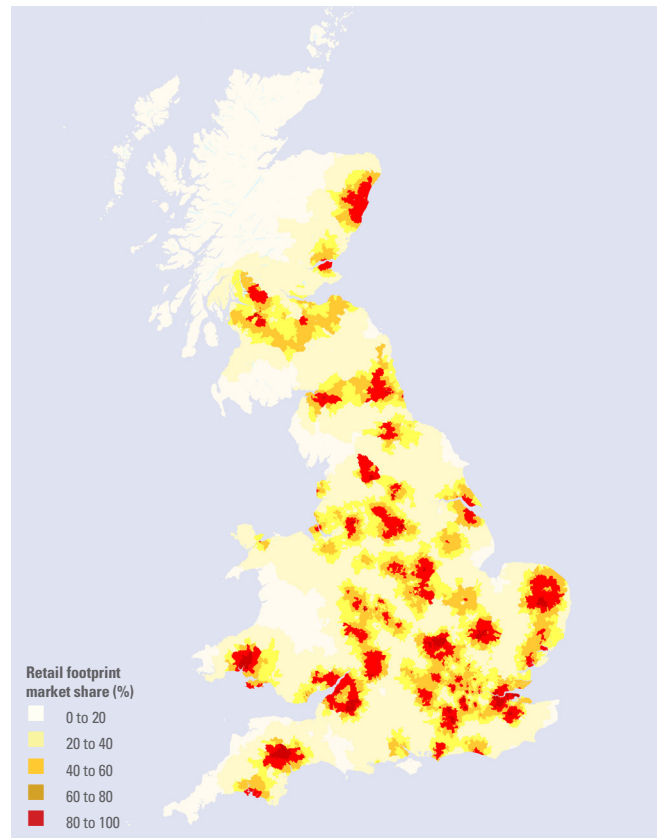
Over the last year or so the retailer has updated some of its existing stores to a new ‘catwalk’ concept. According to executive chairman and founder Daniel Rubin, this has enabled it to improve “the showcasing of the brand, in particular the men’s and accessories ranges, both of which have shown significant growth in [recent periods]”.

CACI has mapped the share of the local market currently served by Dune. Their analysis shows that the footwear retailer’s use of both standalone stores and concessions means it can showcase its brand well in all of the main UK retail markets, supported by its strong multichannel offer in smaller and more remote markets.

It is therefore unsurprising that international expansion has risen up the corporate agenda in recent periods. Dune currently operates over 100 international outlets covering the Middle East, South Africa, the Philippines and India – mainly operated by franchisees.

Closer to home, there has been a move into company-owned concessions in premium department stores such as De Bijenkorf in the Netherlands, Karstadt in Germany and Magasin du Nord in Denmark, while there are also single stand-alone stores in Estonia and Switzerland.

FIGURE 9: Share of the local market currently served by Dune stores



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 Note: Retail Footprint market share of the local market currently served by all stores, including concessions.

Dune also opened a first outlet on Broadway in New York in late 2014 and has since added a store on Long Island. It also plans to open a store at the Westfield shopping centre at the World Trade Center, New York, in early spring 2016. At the time of the Broadway launch, Rubin said: “We see a massive opportunity to open Dune London stores in the US. This is a key element in our international retail expansion plans.”

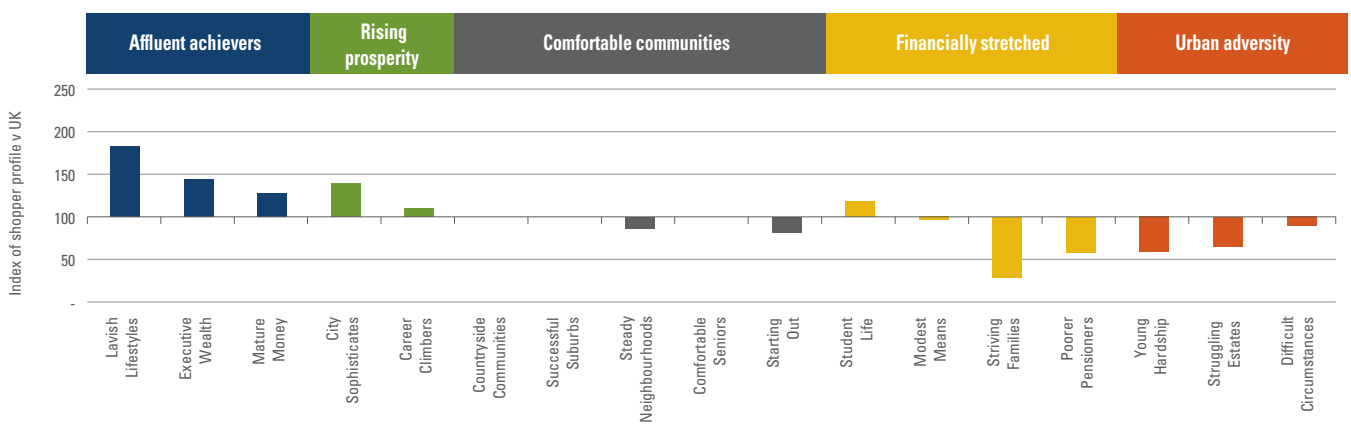
Despite investing in expansion, Dune has reported a set of solid financial results in recent years. The footwear retailer revealed that its sales increased by 9.1% to £174.0 million in the year to January 2015 as it benefitted from new stores but also “large sales increases” through the ecommerce and click-and-collect channels. Over the year, its pre-tax profit nearly doubled to £6.6 million.

The company does not break down its turnover by geographic market, but the international activities will be accounting for a growing proportion of overall sales given recent expansion.

### Who shops at Dune?

CACI comments that Dune has a very different Acorn profile to most of the more value focused retailers ranked higher in this year’s growth retailer report. Its demographic appeal is clearly focused in the high income Acorn Categories, with particularly strong appeal amongst ‘Lavish Lifestyles’, ‘Executive Wealth’ and ‘City Sophisticates’. This approach sits well with its extensive use of concessions in department stores.

FIGURE 10: The Dune Acorn shopper profile compared with the UK average



Acorn Profile source: CACI’s Shopper Dimensions Survey & TGI. Shop at Dune. Copyright – © 2015 CACI Limited and Target Group Index © Kantar Media UK 2015.

Looking ahead, the retailer said that it is expecting to continue to deliver good results through its “strategy of international expansion, omni-channel development and the continuing growth of our UK operations”.

“Dune showcase their brand well in all of the main UK retail markets, supported by their strong omni-channel offer in smaller and more remote markets.”

Paul Langston | CACI

### AlixPartners comment

**Having withstood increased competition from fashion retailers by a timely brand repositioning, Dune has gone from strength to strength in recent years. Using its strong multi-channel offering, Dune has access to the majority of the main UK markets and we look forward to what 2016-17 has in store for the retailer.**

## 7. VictoriaPlum.com (VictoriaPlum)

### Online bathroom retailer, VictoriaPlum, uses private equity funding to step up business investment to drive growth and makes its debut in the Growth Retailer top 10.

Online bathroom retailer VictoriaPlum was launched in 1999 by brothers Sean and Jason Walker as part of the Walker Group, a family-owned bathroom and kitchens manufacturing group that has roots back to the 1880s.

VictoriaPlum designs, manufactures and supplies a wide range of bathroom products at competitive prices.

At the time of its launch, it was one of the first bathroom retailers to operate without physical showrooms, instead selling through mail order catalogues and the online site. Originally trading as Victoria Plumb, its name was changed to VictoriaPlum.com in July 2015 to emphasize its online-only approach.

The Hull-based e-retailer has undergone a period of rapid growth as more consumers and tradesmen are switching online for their purchases of bathrooms and related products. This culminated in the sale of a majority stake by the Walker family to the US private equity firm TPG Capital in April 2014, in a deal valuing the business at £200 million.

TPG aims for VictoriaPlum to set the benchmark for the UK bathroom retailing industry. At the time of the acquisition, TPG principal Malte Janzarik said: *"We have been looking for high growth companies that fit into our investment theme of digital disruption. VictoriaPlum represents an exciting opportunity to build one of the leading ecommerce companies in the UK."*

Following the change of ownership, investment in the business has stepped up, it moved into a new 277,000 sq ft distribution centre, the product range has extended to include bedroom furniture and it has embarked on a recruitment drive, adding new roles such as a chief marketing officer and pay per click advertising analysts.

Crucially, the website was relaunched when it rebranded as VictoriaPlum in 2015, which has enabled it to offer a faster and easier shopping journey for customers – regardless of whether they visit the site through mobile devices or desktop computers.

The new site is focused on offering inspiration to customers and has introduced technology that makes personalised recommendations based on a customer's taste and bathroom size. The close connections of San Francisco-based TPG with Silicon Valley may also allow VictoriaPlum to tap into cutting-edge ecommerce technology.

The business has also increased its marketing budget, agreeing sponsorship deals with TV shows such as *Celebrity Squares* and *Sunday Night at the Palladium*. This is seen as a key investment area as the online business looks to raise its brand profile.

VictoriaPlum's approach has resonated with its customers as evidenced by its impressive sales growth in recent years. It reported that its sales increased by 34.4% to £72.3 million in the year to February 2015. This compares to sales of just £9.0 million in 2009-10, while its revenues have nearly tripled over the last three years alone.

Over 2014-15, the retailer reported reduced pre-tax profits. However, this will in part be due to exceptional costs incurred through its acquisition by TPG and the investment the company has since made in its supply chain and product development. In its latest accounts, the retailer also describes its long term commitment to improving "customer satisfaction" and "building brand confidence and trust".

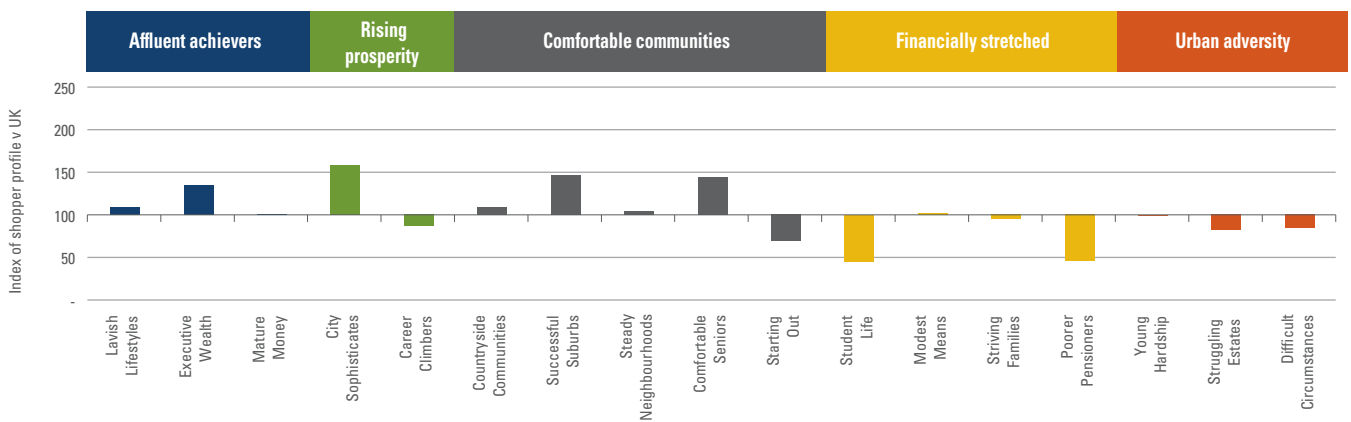
Despite its reduced profitability last year, the outlook for VictoriaPlum is promising. The UK bathrooms market is currently valued at around £1 billion annually and is expected to continue to experience growth over the coming years as a result of growing consumer confidence and increased home improvements. Online bathroom retailers are expected to achieve higher growth rates than traditional bricks-and-mortar retailers as an increased proportion of consumers chose to purchase bathrooms online.



### Who shops at VictoriaPlum?

CACI’s analysis of VictoriaPlum’s target market shows it is inevitably skewed towards the higher end of the demographic spectrum due to the fact that any customers have to be relatively affluent to be able to invest in improvements to their bathrooms. This is a market that has grown in shopper confidence over recent years.

FIGURE 11: The VictoriaPlum Acorn shopper profile compared with the UK average



Acorn Profile source: TGI Market Research Panel. Bought bathroom fittings in last 12 months. Target Group Index © Kantar Media UK 2015.

“VictoriaPlum represents an exciting opportunity to build one of the leading ecommerce companies in the UK.”

Malte Janzarik | Principal | TPG

### AlixPartners comment

**Significant investment in its online platforms, brand and product range has produced remarkable sales results for VictoriaPlum in recent years. Whilst the increased investment has affected profitability in the short term, the growing market for online bathroom products suggests the retailer is well placed for further growth.**

## 8. Space NK

Founded in 1993, health and beauty retailer Space NK has capitalized on its philosophy of sourcing the best innovative beauty products to grow its brand both in the UK and abroad.

Founded by Nicky Kinnaird, Space NK Apothecary opened its first store in Covent Garden in 1993 selling luxury beauty products, comprising of skincare, makeup, fragrance, and other ‘wellness’ items such as scented candles and aromatherapy oils.

When launched, Space NK was considered an innovative brand concept; the ‘apothecary’ stores, referred to as ‘clinics’, are designed with a clean-lined, white aesthetic which draws inspiration from European pharmacies. Staff are trained to be experts in every product sold and the customer is at the heart of the solution.

Space NK targets both beauty experts and novices through a carefully curated range of the very best and innovative beauty products. The retailer has helped brands such as By Terry, Eve Lom and Laura Mercier reach cult status, while Kinnaird herself also created a signature product line – Life NK – which was launched in 2009.

The philosophy behind the format is that while every beauty brand has hero products, customers are known to easily embrace new brands or products – so long as the product is effective. Space NK specializes in sourcing these products in combination with the provision of impartial customer advice.

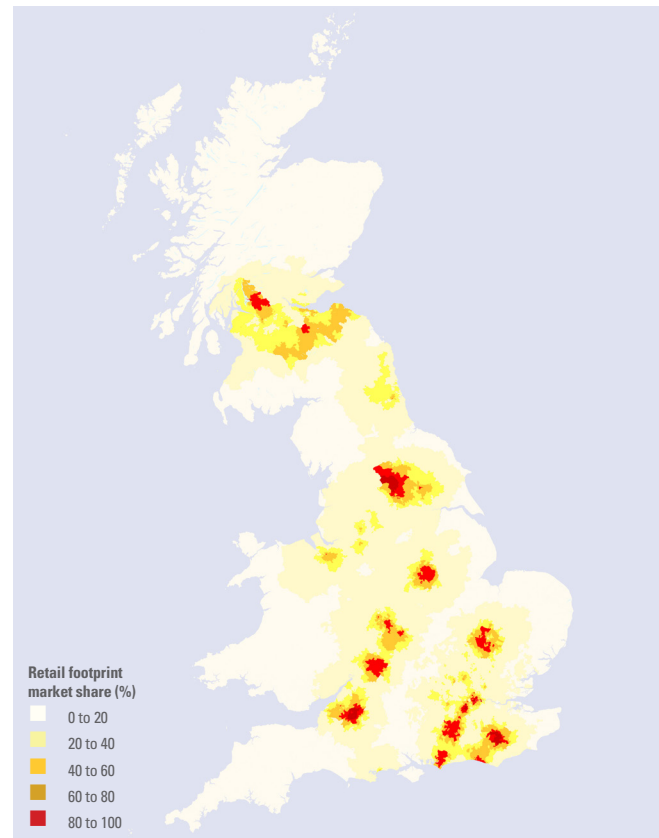
CACI comments that among the store-based retailers in this year’s top ten ranking, Space NK has the smallest and most stable network and most of its growth has been driven through multichannel sales and by using its flagship stores to showcase the brand to its target customers.

Space NK currently trades through a nationwide network of 64 outlets, including a handful of concessions in Harvey Nichols stores. CACI’s mapping of the share of the local market currently served by the retailer’s stores and concessions shows that it has good market reach in all of the UK’s major cities. Outside of the South East, the retailer’s coverage is generally quite sparse and will therefore be reliant on many customers either shopping online or making a major trip to one of its regional showcase stores.

Space NK also has a fledgling international network, with the retailer having opened a first store in the United States – a notoriously difficult market to crack for British retailers – in 2007. It has since expanded to 24 US outlets, which are a mix of freestanding units and concessions in Bloomingdale’s department stores. Expansion into the Far East has also been suggested in recent years.

During the year to March 2015, Space NK saw its sales increase by 13.8% to £79.8 million. The vast majority of this turnover is still

FIGURE 12: Share of the local market currently served by Space NK stores



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Note: Retail Footprint market share of the local market currently served by all stores.

generated by its UK stores, which achieved sales of £71.4 million, with the remainder coming from outside the UK. Internationally, sales are generated through its retail network in the US, but there is also a small element of wholesale.

Meanwhile, the retailer’s pre-tax profit nearly doubled to £4.4 million in 2014-15, up from £2.4 million in the previous year. It said that the main driver for this improvement had been its strong trading over the year.

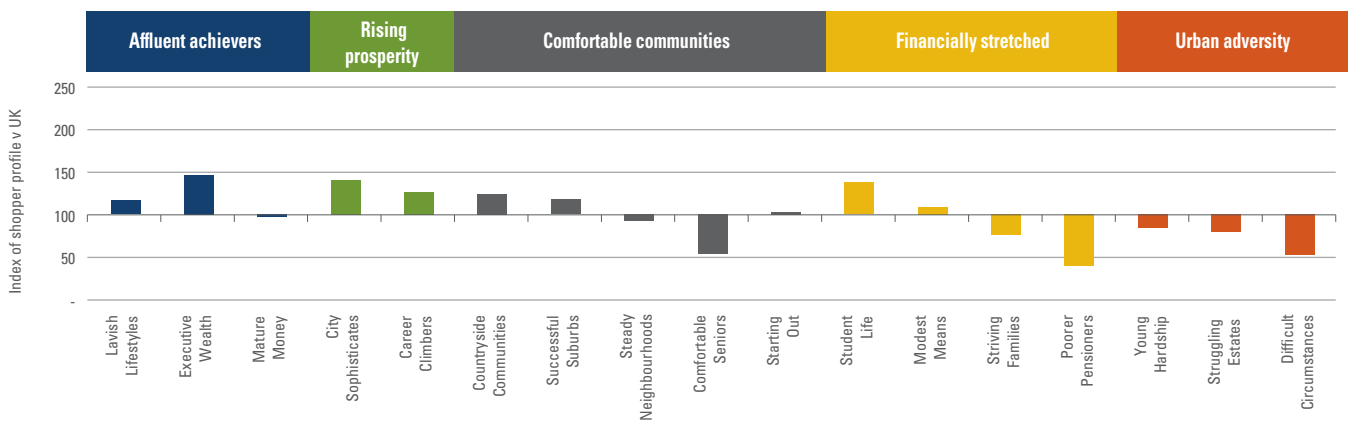
Looking ahead, Space NK is expecting to see a continued improvement in sales and profitability across the group in the current 2015-16 financial year.

Space NK has been led by Fraser Allan, the former finance director of the Liberty department store, as chief executive since 2009. Kinnaird, who is considered one of Britain’s most successful female entrepreneurs, remained involved with the business until 2014, when she stepped down to open her own brand consultancy. Previously, she had sold a 90% stake in the chain to private equity company Manzanita Capital in 2007.

### Who shops at Space NK?

Space NK’s upmarket positioning is reflected in its Acorn profile. According to CACI, the beauty specialist has a highly fashionable, younger, premium-focused consumer. The high price points of its offer means it has a high appeal among more affluent Acorn Groups such as ‘Executive Wealth’ and ‘City Sophisticates’. Counter-intuitively, it also has a strong appeal among the younger ‘Student Life’ Group.

FIGURE 13: The Space NK Acorn shopper profile compared with the UK average



Acorn Profile source: CACI’s Shopper Dimensions Survey. Shop at High Fashionability/Young/Premium retailers. Copyright – © 2015 CACI Limited.

“With the smallest and most stable network of any of the store retailer in the Growth Retailer top 10, it is clear that their growth has been down to driving omni-channel sales and using their flagship stores to showcase their brand to their target consumers.”

Paul Langston | CACI

### AlixPartners comment

**Space NK has differentiated itself from its beauty competitors by providing a personalised, expert service with carefully selected products that appeal to a wide range of consumers. Its success in the US market has highlighted the strength of Space NK’s existing model and reputation and its opportunity to expand on a global scale.**

## 9. Mint Velvet

### Mint Velvet proves that understanding your market and core customer is a key factor to ensuring consistent growth.

Mint Velvet was established in 2009 when three women – Liz Houghton, Jane Rawlings and Lisa Agar-Rea – set out to create an affordable clothing collection that was both relaxed and glamorous. The founders, who all had experience in the fashion world and met when they worked at now defunct retailer Principles, were confident that this was a segment in the market that was being underserved.

Mint Velvet sells women’s clothing, footwear and accessories with price points that are at the top end of the high street, but slightly below fashion retailers such as Karen Millen and Ted Baker.

The retailer has achieved impressive sales growth in recent years, with turnover increasing by 31% to £63.1 million in its latest financial year to April 2015. Over the period, the business reported an operating profit of £10.8 million, which gives it a healthy margin of close to 17% – amongst the highest in the fashion sector.

Mint Velvet has put its success down to being in tune with its customer base – particularly as the concept for the brand came from the founders’ own needs and they continue to be customers themselves. It also targets a segment of the market that proved to be more resilient during the weaker economic conditions of recent years.

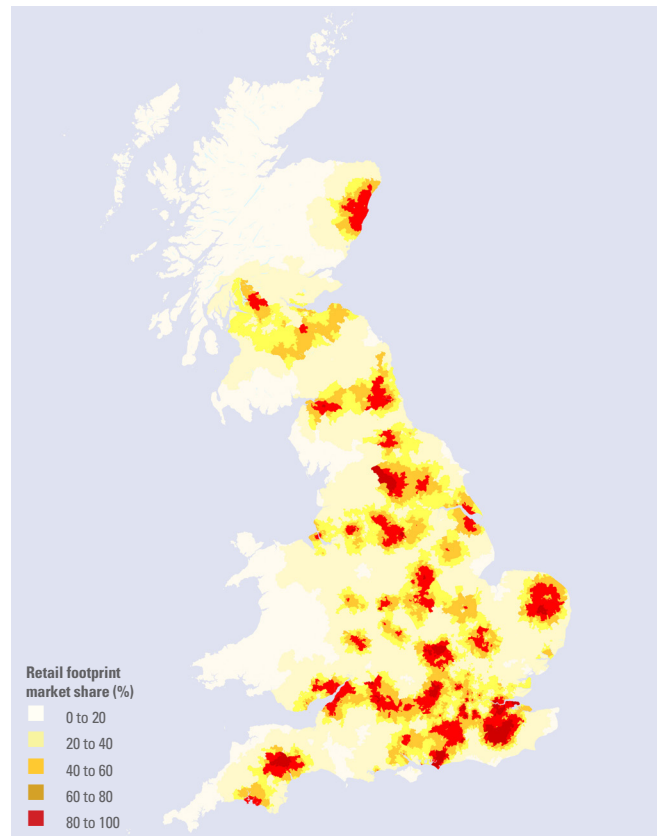
Following its initial success with concessions in House of Fraser stores, Mint Velvet opened its first stand-alone boutiques in Windsor and Chichester at the end of 2009. It currently trades through 28 boutiques across the UK, primarily located in affluent market towns and London ‘villages’ such as Muswell Hill and Chiswick. It has also expressed an interest in opening a flagship store in Central London, particularly as it looks to raise the brand’s profile among international visitors to the capital.

Alongside its standalone stores, concessions also remain an important sales channel. At the end of 2015, the business traded through 92 concessions in John Lewis, House of Fraser and Fenwick stores and this channel accounted for nearly half of its overall sales in 2014-15.

CACI’s mapping of the local markets currently served by Mint Velvet, shows that there is still plenty of scope for further expansion of the store network – particularly as there are still many areas where the retailer holds only a limited market share. However, due to the operation’s heavy reliance on concessions it does already have excellent access to most of the largest centres in the UK.

According to CACI, it will be interesting to see whether Mint Velvet will continue to grow its brand through further standalone stores in the many smaller affluent towns (that still lack access to

FIGURE 14: Share of the local market currently served by Mint Velvet stores



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 Note: Retail Footprint market share of the local market currently served by all Mint Velvet stores, including concessions.

the brand), or whether they opt to focus resources on its multichannel operations.

Indeed, physical expansion has not been the only driver behind the retailer’s recent success. Online sales have grown rapidly and accounted for a significant 32.3% of turnover last year. In recent years, its ecommerce has benefitted from the launch of dedicated websites for key international markets such as France, Germany and Spain.

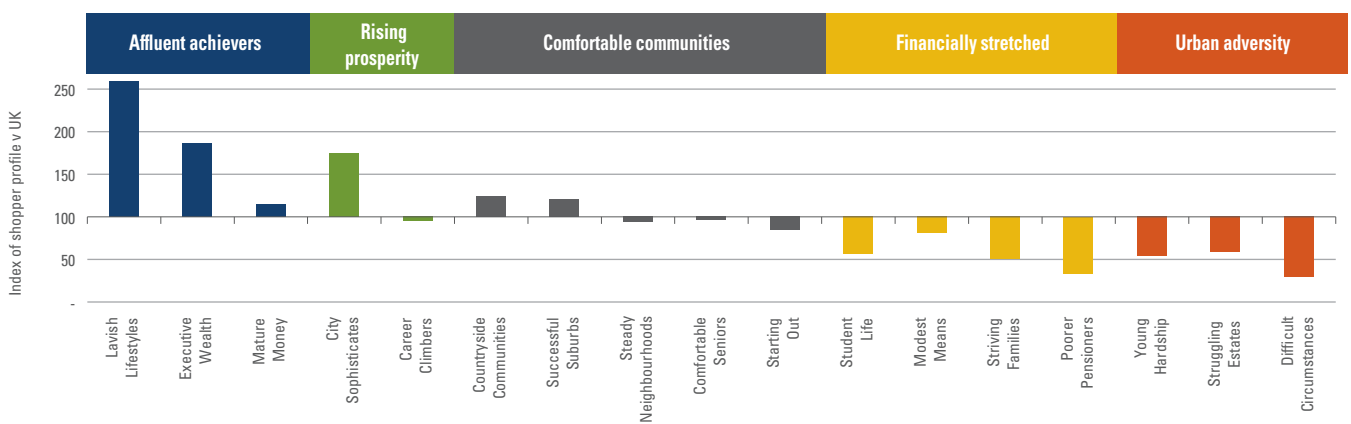
2015 also saw the retailer open its first standalone international stores outside of the British Isles in Dubai and Switzerland. These complement its concessions in premium department stores in the Netherlands, Ireland and Singapore.

Further growth is on the cards as the Lewis Trust Group, the investment business that is owned by the family behind young fashion retailer River Island, acquired a significant stake in Mint Velvet in December 2015. This investment will be used to open 20 new stores over the coming three years as well as to grow the online business.

### Who shops at Mint Velvet?

Mint Velvet is positioned just below the upper end of the market. It aims to offer fashion that is luxurious yet still affordable. CACI’s analysis of the retailer’s Acorn profile shows that it attracts slightly more mature, yet fashionable, premium consumers, with a particularly strong appeal amongst the ‘Affluent Achievers’ categories such as ‘Lavish Lifestyles’, ‘Executive Wealth’ and ‘City Sophisticates’.

FIGURE 15: The Mint Velvet Acorn shopper profile compared with the UK average



Acorn Profile source: CACI’s Shopper Dimensions Survey. High Fashionability/Mature/Premium retailers. Copyright – © 2015 CACI.

Following the buyout, the founders and key members of the management team – chief executive Liz Houghton, brand director Lisa Agar-Rea, design director Jane Rawlings and chief operating officer Stuart Grant – have all remained on board. Houghton said:

“Our growth has been phenomenal since we had the idea around my kitchen table six years ago and the significant stake taken by Lewis Trust Group will enhance our ability to expand in the UK and into new international markets.”

Liz Houghton | CEO | Mint Velvet

### AlixPartners comment

**The founders of Mint Velvet understand their core customer and offering which has allowed the brand to quickly flourish. With the Lewis Trust Group on board, the future looks very bright for Mint Velvet and it’s likely to become a beacon brand for UK fashion.**

## 10. Whistles

Luxury fashion brand Whistles has made its third consecutive appearance in the Growth Retailer top ten as it continues to grow its presence – both in the UK and abroad.

Established over four decades ago, fashion retailer Whistles transformed into a highly credible brand in 2008, following a management buy-in that brought on board former Topshop brand director Jane Shepherdson, who took over as chief executive.

Jane repositioned the business to target a younger customer base and carve out a niche brand that sits between mainstream high street fashion chains and luxury brands.

Under its mantra of ‘effortless luxury’, Whistles mainly appeals to working women in the 25 to 35 age bracket, offering both style and simplicity whilst staying in tune with current fashion trends.

Sales have continued to grow in recent years and the move into a completely new area through the launch of a menswear range at the end of 2014 underlines Whistles’ newfound confidence. Looking ahead, Shepherdson has said that she may consider transforming Whistles into a lifestyle brand through the introduction of childrenswear and home furnishings.

The business reported a turnover increase of 15% to £56.7 million in the year to January 2014, on which it made a pre-tax profit of £1.9 million. Momentum has been maintained subsequently, with the retailer announcing that its sales increased by a further 11.1% to just under £63 million in 2014-15.

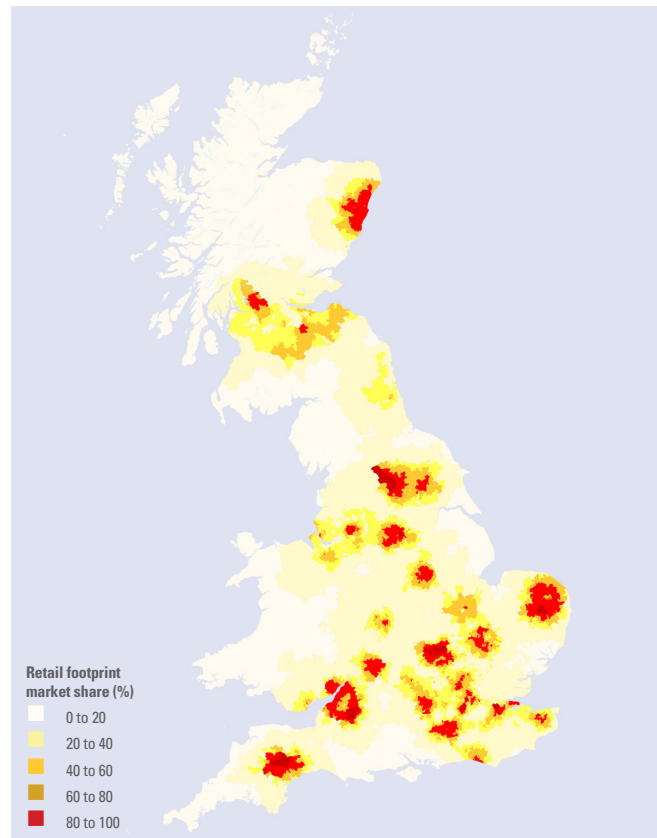
International expansion has become a priority for Whistles recently. During its latest financial year, the retailer generated 9% of its sales abroad, and it is expected that this proportion will continue to increase.

Whistles now boasts 23 overseas outlets – the majority are concessions in premium department store chains in the Republic of Ireland, the Netherlands, France, Switzerland and the US. It also supplies retailers in Russia, China and Hong Kong on a wholesale basis. The cautious concession and wholesale approach to international expansion has enabled Whistles to heighten its international profile overseas at minimal cost and risk and effectively test the waters for future investment.

In the UK, Whistles trades from 48 standalone stores and near to 60 concessions. The retailer has said that given its upmarket positioning it only sees potential for around 60 stand-alone stores in its domestic market.

CACI’s mapping of the local markets currently served by Whistles shows that the retailer already holds a high market share in most large urban areas and affluent towns due to the retailer’s good balance of own stores and concessions. However, CACI comments

FIGURE 16: Share of the local market currently served by Whistles stores



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Note: Retail Footprint market share of the local market currently served by all Whistles stores, including concessions.

that there are still some opportunities to grow the network, although mostly in relatively expensive areas.

Currently, around half of Whistles’ standalone store network is located in London and in general it has a fairly southern bias. Having a high profile presence in London is central to the future success of the brand internationally, with Whistles now taking a regular slot at London Fashion Week and having recently opened a high profile flagship store in Mayfair, which has become a showcase for international buyers.

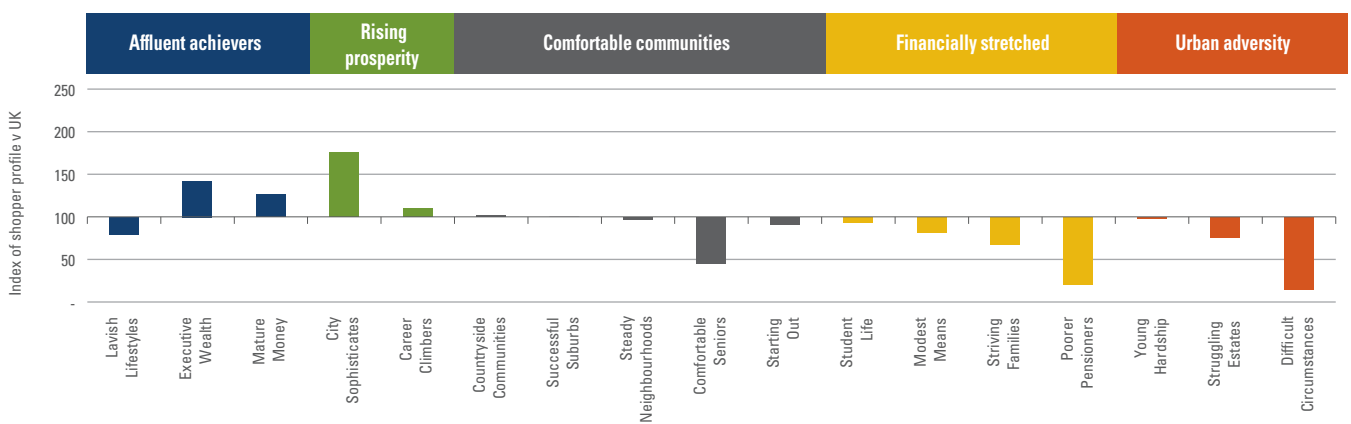
Customers that live outside the retailer’s catchment areas are served through the website, which has seen significant investment in recent years and is a major growth area.

The fashion retailer’s online performance has been described as “outstanding” in recent years and ecommerce is estimated to account for just over 20% of overall sales – around £12.5 million during the year to January 2015. Whistles delivers throughout the world from its UK website and is using the online business to gauge demand for the brand in key markets. International customers currently account for around 20% of its online sales.

### Who shops at Whistles?

Whistles appeals primarily to affluent professionals in their late 20s and 30s and this is reflected in its Acorn profile, which shows a very strong appeal among the 'Executive Wealth', 'Mature Money' and 'City Sophisticates' Groups. CACI comments that having developed such a distinct following is serving Whistles well as it maintain its position in the top 10 of the Growth Retailer Report for the third year in a row.

FIGURE 17: Whistles Acorn shopper profile compared with the UK average



Acorn Profile source: CACI's Shopper Dimensions Survey. High Fashionability/Family Age/Premium retailers. Copyright – © 2015 CACI.

“Whistles continue to use a good balance of their own stores and concessions in the biggest markets and smaller locations that match their target well alongside their omni-channel offer.”

Paul Langston | CACI

### AlixPartners comment

**Since its rejuvenation in 2008, Whistles has expanded significantly in the UK and internationally. As the retailer approaches the maximum capacity of its UK standalone stores it will be vital that it continues to expand its multichannel offerings to support its continued success.**

## Top 30

Here are the 30 top performing retailers of 2015.

RANK 2016	RANK 2015	COMPANY	TURNOVER (£m)*	PROFIT (£m)*	TWO-YEAR PROFIT CAGR
1	New	Shop Direct Home Shopping (Shop Direct)	1,343.6	76.5	80.7%
2	New	Savers Health and Beauty (Savers)	299.9	22.7	78.9%
3	New	Gemporia (The Colourful Company Group)	107.1	9.0	77.8%
4	► 4	Edinburgh Woollen Mill (EWM)	551.9	87.3	70.2%
5	New	Tiger Retail (Tiger)	30.7	5.6	69.0%
6	New	Dune	159.5	8.5	66.4%
7	New	VictoriaPlum.com (VictoriaPlum)	53.8	12.4	55.7%
8	New	Space NK	79.8	9.5	52.9%
9	New	Mint Velvet	63.1	13.8	50.7%
10	▼ 5	Whistles	56.7	5.2	50.4%
11	▼ 8	Charles Tyrwhitt	145.2	20.0	48.8%
12	▼ 1	The Hut Group	248.0	23.4	48.8%
13	New	Agent Provocateur	53.1	10.4	48.6%
14	▲ 28	Poundworld	422.3	21.8	45.4%
15	New	Robert Dyas	124.2	6.4	41.0%
16	New	Fortnum & Mason	74.4	8.0	40.0%
17	New	Deichmann-Shoes	74.2	4.4	36.3%
18	New	Barker & Stonehouse	54.3	5.1	35.7%
19	New	T&E Ferris	35.3	6.7	34.6%
20	New	H&M	957.0	113.4	33.5%
21	New	Evans Cycles	127.7	8.4	33.4%
22	New	Gordons Direct	74.9	5.4	32.9%
23	▼ 6	Oak Furniture Land	191.5	13.7	32.6%
24	New	The Works	141.7	11.6	31.7%
25	▼ 18	Warren James	73.6	26.8	29.1%
26	New	Yours Clothing	48.8	4.6	29.0%
27	New	Baird Group	77.0	3.6	28.7%
28	▼ 19	Fat Face	200.1	39.6	25.1%
29	▼ 12	The Range	470.3	59.4	24.9%
30	New	Paperchase Products	102.6	10.5	24.6%

Note: \* Most recently filed accounts after applying AlixPartners methodology (see page 6)



## About AlixPartners

AlixPartners is a leading global business advisory firm of results-oriented professionals who specialize in creating value and restoring performance. We thrive on our ability to make a difference in high-impact situations and deliver sustainable, bottom-line results.

The firm's expertise covers a wide range of businesses and industries whether they are healthy, challenged, or distressed. Since 1981, we have taken a unique, small-team, action-oriented approach to helping corporate boards and management, law firms, investment banks, and investors respond to critical business issues. For more information, visit [www.alixpartners.com](http://www.alixpartners.com).

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Europe, and Asia

**SIZE**

1,400+ employees

## About CACI

As market-leaders in global location planning and consultancy, CACI are specialists in unlocking opportunity through insight.

With years of industry experience, an expert knowledge of retailers, consumer behaviour and catchments CACI partner many global and local businesses to develop easy to implement strategies that promote business growth and optimisation.

The location planning insight CACI deliver for retailers includes site feasibility studies, market assessment and market entry, benchmarking and impact studies, sales prediction models, portfolio reviews, estate rationalisation projects as well as customer segmentation and targeting studies.

All retail solutions are underpinned by CACI's leading retail market analysis tools, used by over 250 retail, leisure and property clients to inform a wide variety of strategic objectives. Retail Footprint is CACI's unique comparison retail catchment model which defines and ranks some 5,000 retail catchments across the UK. Acorn is the pioneering geo-demographic consumer segmentation giving unparalleled accuracy and insight into consumer preferences and behaviours.

CACI have used both of these tools and more, to provide commentary on this year's Growth Retailers.

If you would like any further information about the tools detailed above or regarding CACI, please contact CACI directly on the below details:

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