

THE BIG STORY

How fashion retailers can weather the storm

This year has not been kind to fashion retailers. The unpredictable weather, trading uncertainty and discount-addicted customers have all hit performance.

Bonmarché's profit warning last week, its second in less than a year, underlined how tough the market is. Its bad news followed a slew of weak results from industry leaders Next, Primark and M&S.

The prospects for next year may not be much better, as changing shopper habits and industry pressures show few signs of abating.

"We are in for a long and painful restructuring, I'm afraid," says Richard Hyman, who forecasts major market consolidation. "If people think trading's difficult now, wait until next year – we've seen nothing yet."

But Retail Remedy partner Phil Dorrell does not entirely agree. "It will be one of the toughest challenges retailers have faced over the past couple of decades," he acknowledges. "But I don't think that will necessarily mean we lose a lot of retailers. Every year we lose smaller retailers between January and April. That will accelerate a bit, but it's not all doom."

What everyone agrees on is that the market is likely to get tougher, and that retailers will need to be at the top of their game.

So what exactly can fashion retailers do to counteract the problems facing them?

Fashion season rethink

While the past year has brought much unseasonable weather, fashion industry consultant Eric Musgrave thinks retailers operate on a "mythical" weather pattern. "It's not just this year, is it?" he points out. "We are in a period of climate change, but fashion companies tend to operate on a mythical historical pattern where it starts raining on September 1 and keeps raining til the beginning of June."

"Retailers must emphasise how their proposition is relevant by marketing to an older demographic"

Kate Ormrod, Verdict

Following poor results from some of the UK's biggest fashion firms, **Becky Waller-Davies** asks how clothing retailers can drag themselves out of the doldrums

WGSN head of market intelligence Lorna Hall believes retailers "need a radically different approach" to the weather, such as selling year-round product. She cites women's fashion retailer Finery as a good example.

"They produce an almost seasonless product," she says. "Yes, they're a smaller business and that's why they can do it so well, but it is certainly an approach everyone can learn from."

Stay distinctive

There are signs, flagged for instance by Next chief executive Lord Wolfson, that consumers are increasingly minded to spend on experiences such as holidays or entertainment, rather than on product such as more clothes.

Retailers can respond by improving the quality of the experiences as well as the product they offer, whether in stores or online.

"Too many retailers chase sales at any cost," says Hyman. "And it's ruinous. Most retailers have chased peripheral customers to gain incremental sales and in order to achieve that they've added product they think those peripheral customers want."

"But they've made the shopping experience less good for core customers. Their product has become generic and homogeneous. This is bad management."

There is a reason Ted Baker is often held up as the classic example of a retailer with a strong identity: it does not dilute its proposition and its brand handwriting has remained true to its quirky spirit.

While the globalisation of trends has played its part in the homogenisation of the high

street, many retailers that have chased the lowest common denominator have been left vulnerable and are now finding it difficult to stand out.

In an oversaturated market, a race to the bottom is not the answer. Instead, retailers need to assess what makes them unique and reconnect with their core customer.

When Ted Baker boss Ray Kelvin told *Retail Week Live* delegates not to be "greedy" earlier this year, he had the profit margin in mind. But he could as easily have been speaking about customers.

Whether it is marketing or the in-store experience, Ted Baker is distinctive.

Think like a brand

WGSN's Hall says retailers must think like brands to woo customers into stores.

"Make it [your store] a destination," she says. "Many luxury retailers are doing this already. They are becoming like members' clubs with gin bars and restaurants. We see this with Ralph Lauren, with Fendi."

"There is a lot of collaboration between high-end brands at the moment, we can see people doing a lot of this."

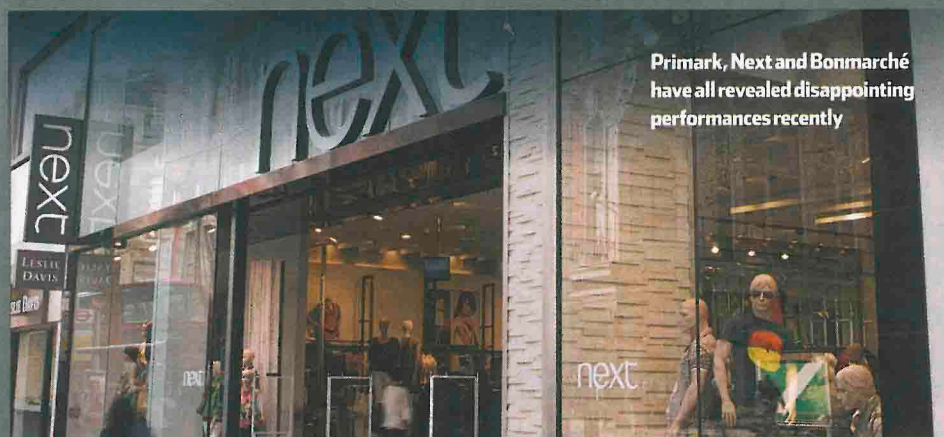
At the other end of the spectrum, Hall nods towards Ted Baker once again. She describes its recent shoppable film, directed by Guy Ritchie and featuring the tagline 'Mission Impeccable', as "an event in itself".

"They could team up with a high-end hotel and do an event there," Hall says. "They would get the attention of their core customers and it would act as a brand activation space."

However, Hall believes retailers need to act rapidly.

"Brands are moving into that space very fast and retail should follow," she says. "There is a real opportunity for retailers here but they need to be open and they need to be able to work fast enough to work with creative agencies and be nimble. Retailers are quite insular and they may need to rethink how they work."

Why retailers should stop blaming the weather,
by Retail Week Prospect senior analyst
Rebecca Marks at Retail-week.com/Weather-sales



Primark, Next and Bonmarché
have all revealed disappointing
performances recently



Trim your store portfolio

A more tangible issue for some fashion chains is they have too many stores. "It is easy to see floor space, over time, decreasing by at least 15% to 20%," says Hyman. "Not every business will shut that amount of space, but some will shut more, or close altogether."

"The majority of businesses do have too many shops and those shops are too big."

Hall advises: "Get out of as many stores as possible without making progress difficult." For young fashion retailers especially, "the customer doesn't see the point of shops so you need to rethink the number you've got. In

terms of store cull, if you've done it once it's probably time to do it again. It's ongoing."

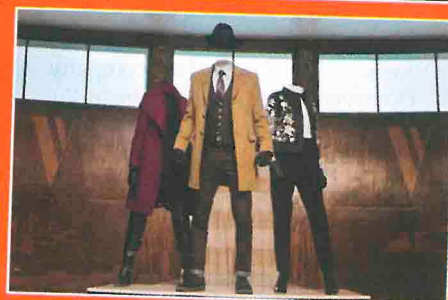
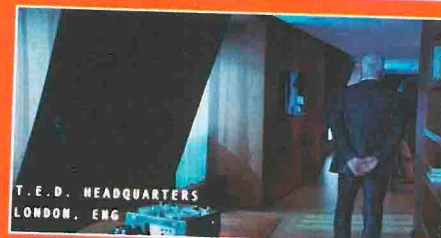
The crux of the issue, Hall thinks, is that retailers must run a legacy business while creating a new one – a different proposition for a new generation of customer.

Reach more customers

While there is much talk of millennial shoppers, perhaps fashion retailers are forgetting the power of older spenders.

Verdict this week published a report highlighting that older shoppers represent a

MISSION IMPECCABLE



Ted Baker's shoppable film, featuring the tagline
'Mission Impeccable', was directed by Guy Ritchie

"lucrative and relatively unexploited" opportunity in womenswear.

Verdict senior analyst Kate Ormrod says: "The 50-plus womenswear shopper is notoriously neglected, with few players actively catering to mature consumers and a lack of choice limiting spend."

"Targeting this age group does not necessarily require a huge shift in proposition, nor does it mean a new sub-brand is essential for retailers, as 50-plus shoppers want the same style and design as younger females."

"Retailers must emphasise how their proposition is relevant by marketing ranges to an older demographic, and incorporating more mature and stylish models in campaigns."

"Better understanding of these shoppers' lifestyles and hobbies will also help to ensure ranges and branding are age-appropriate and appealing."

Fashion retail may be tough, but retailers still have ways open to them to continue to win trade – whatever the weather.