

State of the Outlet Industry, Part I

Outlet Retail Chain Report



Banana Republic Factory Stores, above, is one of three outlet concepts operated by parent company Gap, which also operates Gap Outlet and Old Navy.

Information gathered for the 2009 *Value Retail Directory* gives a good snapshot of how the industry looked through the end of 2008.

By Linda Humphers
Editor in Chief

Each year since 1981 *Value Retail News* has made personal contact with the executives who operate outlet chains. The main purpose for contacting each company is to update the *Value Retail Directory*, considered to be one of the industry's essential reference tools.

Perhaps because we don't like to be ignored, we're pleased to report that the vast majority of outlet chains do respond to our annual queries for updated information. We are eternally grateful to those companies who take the time to fill out our forms as we believe that this information has been key in helping the industry stay informed and unified.

Throughout the year, *VRN* editors turn to this data both to support stories in our own publications and to provide a balanced understanding of the industry for the media and new companies interested in the sector.

For the 2009 *Value Retail Directory*, data was collected on more than 475 retail chains that classify themselves as discount, offprice, specialty, warehouse, clearinghouse, superstore, catalog, food and outlet.

For the State of the Outlet Industry report, *VRN* separates the data for those chains that operate exclusively or primarily in outlet centers. Here are some highlights:

The end of 2008 saw 316 outlet chains operating almost 13,000 stores, an increase of 11 chains over 2007's 305 outlet chains operating 11,546 units. The average chain size is now 41 units, up from 2007's 38 stores per chain.

Apparel and shoe categories continue to dominate the outlet sector, accounting for 204 of the

Total No. of outlet chains: 316

Total No. of outlet stores: 12,924 stores

Average outlet chain size: 41 stores

Average rent psf: \$23 psf (per 43 responding outlet chains operating 1,087 stores)

Average sales psf: \$301 (per 72 responding outlet chains operating 2,842 stores)

Average store size: 4,702 sf (per 275 responding chains that operate a total of 12,133 stores)

Average discount: 37 percent (per 176 responding chains operating 6,337 stores)

Average household income in the market: \$57,318 (per 46 chains operation 2,533)



The outlet-center performance of Saks Fifth Avenue Off Fifth has driven the chain to create an upscale footprint and branding campaign.

industry's chains and more than 9,000 stores.

Average sales psf seems to be very much in line with what has been reported anecdotally, that is, while traditional sales are off by double digits, outlet sales are up or down just a smidge. Last year, based on 2007 stats, 76 chains operating 5,530 stores posted average sales psf of \$305. This year, based on 2008 numbers, 72 chains operating 2,842 stores posted average sales of \$301.

Another stat everyone is eager to hear about is average rent. Based on what 43 chains operating 1,087 stores told *VRN* for the 2009 directory, average rent is exactly what it was at the end of 2007: \$23 psf.

The number of parent companies operating outlet chains at the end of 2008 was 266, about the same as 2007's 261 parent companies. However, in 2007, 51 parent companies operated a total of 140 chains totaling more than 6,000 stores. Through 2008, though, the industry must have lost some multiple-concepts as just 31 companies operated 82 concepts totaling more than 5,000 stores. Put another way, 12 percent of the parent companies operate 26 percent of the chains and 41 percent of the stores.

Average discounts are exactly the same as we reported last year – 37 percent – so that number looks strong enough to stand behind.

Outlet Chain Expansion:

212 chains operating 11,114 stores said they planned to expand in the next 2 years

Of the 212 who said they were expanding, 165 were unspecific as to their plans

43 chains said they would open 184 stores in 2009 (4 stores per chain)

30 chains said they would open 138 stores in 2010 (5 stores per chain)

Parent companies

266 parent companies operate 316 chains totaling 12,924 stores

Of those, 31 parent companies operate 82 concepts totaling 5,254 stores

Put another way, 12 percent of the parent companies operate 26 percent of the chains and 41 percent of the stores.

Although 39 value and outlet chains were dropped from the 2009 *Value Retail Directory* because of store closings or insufficient new information, 27 new chains were added and seven were reactivated after previously having been de-listed. About a dozen of those dropped tenanted outlet centers. **V**

For ICSC members, The 2009 Value Retail Directory is \$275; The 2009 Global Outlet Project Directory, now available, is \$195; purchased as a set, \$415. To order, visit www.valueretailnews.com or call +1 301 362 6902.

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Outlet additions to the 2009 Value Retail Directory:

AG Adriano Goldschmied
 American Eagle Outfitters
 Billabong
 Canterbury of New Zealand
 Eccoci
 Gap Kids and Baby Gap
 Ghirardelli Chocolate Factory Outlet
 Guess Accessories Factory Store
 Hugo Boss Factory Store
 Hurley Outlet
 Kensie Outlet
 Levi's Outlet
 Marciano Factory Store
 Pendleton Outlet
 Reader's Digest Outlet
 7 for All Mankind
 Sean Jean Outlet
 Shade Clothing Outlet
 Soma Intimates
 True Religion
 U.S. Polo Association
 Victoria's Secret Outlet
 Volcom
 Zoo York Outlet

Chains that have returned to the Directory include:

Book Warehouse/Foozles
 Betsey Johnson Outlet
 Gucci Outlet
 Loft Outlet Stores
 MJM Designer Shoes
 North Face Outlet

Outlet chains deleted from the 2009 Value Retail Directory

Big Dog Sportswear
 Borders Outlets
 Chuck Roast Factory Store
 Coastal Cotton
 Dalton Rug
 Donna Karan Company Stores
 Farberware
 Geoffrey Beene
 KB Toys
 Liz Claiborne Shoe Outlet
 Oneida
 Pfaltzgraff
 Sharper Image
 Steve & Barry's



With 11 stores operating at the end of 2009, Calphalon is among 22 kitchenware chains operating in outlet centers.

15 LARGEST MULTI-CONCEPT OUTLET COMPANIES

(OPERATING MORE THAN 150 UNITS)

Parent Company	Total number of stores in all concepts
Phillips-Van Heusen Corp.	642
Jones Apparel Group	614
Brown Shoe Company, Inc.	481
Gap, Inc.	370
NACCO Industries	309
Carter's, Inc.	304
Adidas America	260
Dress Barn, Inc.	242
VF Corporation	234
Nike, Inc.	224
Hanesbrands Inc.	205
Genesco Inc.	188
Liz Claiborne, Inc.	187
Charming Shoppes, Inc.	161
Guess?, Inc.	152
54 outlet concepts	4,573

OUTLET CHAIN MERCHANDISE CATEGORIES

Merchandise Category	Number of chains	Total units
Accessories	36	1,391
Accessories	11	464
Jewelry	13	570
Handbags/Luggage/Leather Goods	12	357
Apparel and Shoes	204	9,029
Apparel - Children	12	715
Apparel - Family	39	1,870
Apparel - Men	12	292
Apparel - Men & Women	33	1,405
Apparel - Women	48	1,714
Athletic Apparel/Footwear/Sporting Goods	21	688
Lingerie/Underwear/Hosiery	8	324
Shoes	31	2,021
Home	38	858
Home Decor/Furnishings	10	158
Home Improvement/Hardware	1	39
Housewares/Tableware/Kitchenware	22	573
Electronics/Appliances	3	83
Linens/Domestics	2	5
Beauty and Health	14	771
Beauty Products/Cosmetics	12	596
Drug/Health	2	175
Other	24	875
Books/Music/Video	6	283
Department Store	3	131
Food	7	229
General Merchandise	4	49
Paper Goods/Cards/Gifts	3	168
Toys	1	15
Totals as of Dec. 31, 2008	316	12,924

Source: VRN 2009 Value Retail Directory