

# Trends in Retailing

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# TABLE OF CONTENTS

- **Where Are We Today?** Page 3
- **TAG View: The Retail Landscape** Page 4
- **Where will we be next year?** Page 5
- **#1: Differentiation Creates Demand** Page 6
- **#2: Demographics – Targeting New Concepts to the Appropriate Customer** Page 7
- **#3: Sales Drivers Beyond the Core** Page 8
- **#4: Calling All Talent: Does Anyone Want to Work their Way Up the Retail Ladder?** Page 9
- **#5: Retail Businesses Are Being Managed Smarter** Page 10
- **#6: A Nice Problem: What Are Retailers Doing With All That Cash?** Page 11
- **#7: Department Stores and Discounters: Similar or Different?** Page 12
- **#8: Accessible Luxury: A Careful Balance** Page 13
- **#9: Apparel: It's All About the Product** Page 14
- **#10: Multi-Channel Retailing** Page 15

# Where Are We Today?

- The Big Picture:
  - Interest rates and energy prices are rising
  - Unemployment is declining
  - Retail sales are stable
  - Traffic down and average ticket up

# TAG View: The Retail Landscape

- **Department Stores**
  - Improving product and store environment
- **Discounters**
  - Expanding assortment and offering even more value for the price
  - Segmentation is no longer a dirty word
- **Hardlines Retailers**
  - Focusing on Do-It-For-Me (DIFM) along with Do-It-Yourself (DIY)
  - Growth coming from value-added services
- **Luxury Goods**
  - Sales remain robust
  - Emerging markets present opportunities
- **Specialty Stores**
  - Working harder than ever to be special

## UNIVERSAL PICTURE

Every retailer needs more traffic to drive sales

# Where Will We Be Next Year?

## **TAG's Top 10 Retail Themes**

# #1: Differentiation Creates Demand

- Apple Computer Inc.
  - Unique design and store experience offers broad appeal
- Coach Inc.
  - Product newness attracts both repeat and new customers
- Target Corp.
  - An aesthetic point of view in every product category

## **2007 TAG View:**

An Oxymoron: High-End Discounters

## #2: Demographics – Targeting New Concepts to the Appropriate Customer

- Forth & Towne, a division of Gap, Inc.
- Martin + Osa, a division of American Eagle Outfitters Inc.
- Soma, a division of Chico's FAS Inc.

### **2007 TAG View:**

### **Growing Up With Your Customer**

The Gen Y Grad: 24-35 Years Old

## #3: Sales Drivers Beyond the Core

- Hughes Supply, Inc. – Home Depot Inc.
- Iridesse – Tiffany & Co.
- Justice – Too Inc.
- Brand Extension - Wal-Mart Stores Inc.
- White House/Black Market – Chico's FAS Inc.

### **2007 TAG View:**

Which retailers will announce new concepts?

## #4: Calling All Talent: Does Anyone Want to Work their Way Up the Retail Ladder?

- Outsiders to Retail:
  - Scott Edmonds, CEO, Chico's FAS Inc.
  - Paul Pressler, CEO, Gap Inc.
  - Robert Polet, CEO, Gucci Group, a div. of PPR
  - Robert Nardelli, CEO, Home Depot Inc.
- Growing Up Retail:
  - Bradbury Anderson, CEO, Best Buy Co. Inc.
  - Carol Meyrowitz, President, TJX Companies Inc.
  - Michael Rayden, CEO, Too, Inc.

**2007 TAG View:**  
The next generation

## #5: Retail Businesses Are Being Managed Smarter

- Sophisticated Systems Are Now In Place
  - Optimization is Key
    - Markdowns
    - Price
    - Sizing
    - Regional merchandising
    - Supply chain management and global procurement/direct sourcing

**2007 TAG View:**

Taking it to the next level

# #6: A Nice Problem: What Are Retailers Doing With All That Cash?

- Acquire existing businesses
- Dividends
- New concept development
- Share buybacks
- Store remodels

## **2007 TAG View:**

- Department Stores & Discounters
  - Share buybacks and dividends
- Hardlines Retailers
  - New concept development and store remodels
- Luxury Goods
  - Acquisition, disposition, new concept development and new store growth in emerging markets
- Specialty Stores Retailers
  - New concepts and store remodels

## #7: Department Stores and Discounters: Similar or Different?

- Competitive pricing
- In-stock position
- Specialization
- Store environment

### **2007 TAG View:**

- Discounters expanding their product assortment
- Department stores are pushed to reinvigorate and invest

## #8: Accessible Luxury: A Careful Balance

- Increase sales with existing customers
- Attract the younger shopper: loyal future buyers
- Image is everything

### **2007 TAG View:**

Broadening the product assortment with lower price points: When is being too accessible harmful?

## #9: Apparel: It's All About the Product

- Denim--a multi-year “IT” item: Enhanced the product and raised the price
- Accessories, belts, jewelry and watches: Gaining a greater share of the consumer’s dollar

**2007 TAG View:**  
What’s next?

## #10: Multi-Channel Retailing

- Catalog, on-line, and stores
- Capturing the customer in all channels
- Using the Internet to clear out products without eating into costly retail space
- A way to cost effectively test products and concepts

### **2007 TAG View:**

Multi-channel retailing is second nature to some, including Staples and Williams-Sonoma

# Disclosures

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