

State of the Outlet Industry, Part I

Outlet Retail Chain Report, 2010



The 43-unit Michael Kors chain is one of 45 outlet chains that specialize in women's apparel, the largest outlet merchandise category.

The latest numbers give a well-rounded picture of the outlet industry's depth and breadth.

By Linda Humphers
Editor in Chief

Sales are up, rents are up, expansion plans are down. That's just part of the picture that emerged from outlet-tenant data gathered throughout 2009.

Every year since 1981 *Value Retail News* has been gathering information from outlet executives for two purposes: 1.) for our directories, the *Value Retail Directory* and the *Global Outlet Project Directory*, and 2.), to create the ongoing databases that enable us to bring you the State of the Outlet Industry reports.

With each SOI – the last one was published in the fall of 2009 – we aim to bring you a picture of the outlet distribution channel's scope. And we hope the data provides you with a benchmark for comparison to the past and a solid basis for future planning.

Our 2009 directory database is used to compile the listings on more than 465 retail chains in the *2010 Value Retail Directory*. Each of these chains tenants outlet and/or value centers, but not all are specifically outlet companies. The participating companies in *VRN's* database are also classified as discount, offprice, specialty, warehouse, clearinghouse, superstore, catalog and food tenants.

For the State of the Industry report, *VRN* zeroes in on those chains that operate exclusively or primarily in outlet centers. So, based on data through Dec. 31, 2009, there were 304 outlet chains operating 12,994 stores. These numbers are interesting when compared to 2008, which had 316 outlet chains operating 12,924 units. Turn the clock back to 2007, and we see 305 operating 11,546 stores.

What does this data say? It appears to indicate that the number of outlet chains is stable and

Total No. of outlet chains: 304

Total No. of outlet stores: 12,924 stores

Average outlet chain size: 43 stores

Average rent psf: \$25.35 psf (per 34 responding outlet chains operating 775 stores)

Average sales psf: \$331 (per 61 responding outlet chains operating 2,551 stores)

Average store size: 4,135 sf (per 246 responding chains that operate a total of 12,749 stores)

Average discount: 38 percent (per 155 responding chains operating 6,069 stores)

Average household income of markets tenanted by outlet chains: \$60,525 (per 40 chains operation 2,411 stores)



J. Crew, which operates 78 outlet stores under the J.Crew and Crewcuts Outlets banners, is one of 31 chains that carry family apparel, the third largest outlet merchandise category.

the number of stores is growing. In fact, the number of stores per chain has risen to 43 at yearend 2009 from 41 in 2008 and 38 in 2007.

As always, apparel and shoe categories continue to dominate the outlet sector, accounting for 65 percent of the industry's chains and 72 percent of its stores. But in 2009, one category disappeared – linens and domestics. *VRN* had no chains claim that category, which in 2008 had only two chains, Crossill and Mill Outlet, operating a total of five stores. Those were two of the 16 chains

Outlet Chain Expansion:

- 184 chains operating 11,492 stores said they planned to expand in the next 2 years
- 154 of the chains that said they would expand were not specific as to their plans
- 24 chains said they would open 120 stores in 2010 (5 stores per chain)
- 24 chains said they would open 170 stores in 2011 (7 stores per chain)

Parent companies

- 250 parent companies operate 304 chains totaling 12,994 stores
- Of those, 30 parent companies operate 92 chains totaling 5,571 stores
- Put another way, 12 percent of the parent companies operate 30 percent of the chains and 43 percent of the stores.

that were dropped from *VRN*'s 2009 database because of store closings or insufficient information, but 22 new chains were added.

The average household income in markets tenanted by outlet chains increased to \$60,625 in 2009 from \$57,318 in 2008.

Another jump occurred when average sales psf in 2009 rose to \$331 from \$301 in 2008. This increase is no surprise to the outlet sector, which has been thriving during the economic downturn that has driven down sales in traditional formats.

Of course, as sales grow, so do rents. Outlet chains told *VRN* their average rent grew to \$25.35 psf, based on responses from 34 chains operating 775 stores. This is an increase over the average rent of \$23 psf for both 2007 and 2008. Coincidentally or not, as rents psf increased in 2009, average store size dipped to 4,135 sf from 4,702 sf in 2008.

At the end of 2009, 184 chains told *VRN* that they would expand in 2010 and 2011, though most were not specific about their plans. The expansion leaders, among those replying to the question, include Chico's Outlet, White House/Black Market Outlet and Seiko Outlet. In 2008, 212 chains said they planned expansions.

Other highlights from the 2009 data include:

- 250 parent companies operate the 304 outlet chains. Of those, 30 parent companies operate 92 of the chains totaling 5,571 stores. Clearly a few parent companies added concepts, as in 2008 there were 31 parent companies but they were

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30 Largest Chains Primarily Tenanting Outlet Centers

Chain	No. of stores
Van Heusen	200
Nine West Outlet	198
L'eggs Hanes Bali Playtex	195
Bass Shoe Outlet	193
Gap Outlet	182
Carter's Outlets	173
Factory Brand Shoes	170
Ultra Diamonds Outlet	170
Famous Footwear	169
Reebok/Rockport/Greg Norman	161
OshKosh B'Gosh Outlet	156
Tommy Hilfiger Company Stores	144
Claire's/Icing by Claire's Outlet	140
Gymboree	140
Zales Outlet	139
Jones New York	138
Polo Ralph Lauren Factory Stores	137
Nike Factory Store	131
Izod	130
Coach Factory Store	122
Children's Place Outlet	116
rue21/rue21 etc!	116
Easy Spirit Outlet	115
Calvin Klein Outlet	114
Banana Republic Factory Stores	113
Wilsons Leather Outlet	113
Eddie Bauer Outlet	110
Stride Rite * Keds * Sperry-Topsider *	
Saucony Outlet	104
Aeropostale Outlet	103
Jockey Outlet	103

30 largest chains average 143 stores 4,295
Source: 2010 Value Retail Directory

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operating 82 chains totaling 5,254 stores.

● The 30 largest outlet chains that primarily tenant outlet centers have an average of 143 stores. There are some chains that operate more stores in outlet centers than those selected by VRN for the largest list, but those chains, such as Dress Barn and Rack Room Shoes, also regularly tenant non-outlet locations.

● Average discounts are 38 percent, almost exactly the same discount of 37 percent that we reported in the two previous SOI reports. **V**

For ICSC members, *The 2010 Value Retail Directory* is \$275; *The 2010-2011 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.

Outlet chains deleted from VRN's 2009 outlet database

Andrew Marc

Benzene

Berean Christian Outlet

Beyond Electronics

Christian Dior

Croskill Home

Danskin

Doncaster/Tanner

Ellen Tracy

Fitz & Floyd

Jaymar Factory

J. Jill Outlet

Mill Outlet

Oilily

Petite Sophisticate

Royal Doulton

Outlet chains added to VRN's 2009 outlet database

Bare Escentuals

Bloomingdale's Outlet

Catherine's Plus Sizes

Champion

DKNY Company Stores

Direct Tools Factory Outlet

Ed Hardy

Elie Tahari

Etro

Facconable

Famous Labels

Final Cut BCBG MazAzria

Furla

Hot Topic

Kay Jewelers

Little Labels

Lord & Taylor Outlet

Marc Ecko Cut & Sew

Robert Wayne Footwear

Solstice Sunglasses Outlet

Travelpro Factory Stores

20 Below!

LARGEST MULTI-CONCEPT OUTLET CHAINS

(OPERATING MORE THAN 100 UNITS)

Parent Company	total stores	Number of Chains/Concepts
Phillips-Van Heusen Corp.	781	6
JAG Footwear, Accessories and Retail Corporation	584	5
Brown Shoe Company, Inc.	459	4
Dress Barn, Inc.	412	3
Gap, Inc.	387	4
Carter's, Inc.	329	2
Guess?, Inc.	312	4
Adidas America	241	2
Nike, Inc.	234	4
VF Corporation	230	5
Hanesbrands Inc.	226	3
Genesco Inc.	188	3
Polo Ralph Lauren	137	2
BCBGMaxAzria Group, Inc.	115	3
Liz Claiborne, Inc.	115	5
Ann Taylor Retail, Inc.	110	2
	4,860	57

Source: 2010 VRN Value Retail Directory

OUTLET CHAIN MERCHANDISE CATEGORIES

Merchandise Category	total units	total chains
Shoes and apparel	9,353	199
Shoes	2,178	31
Apparel - Women	1,872	45
Apparel - Family	1,700	31
Apparel - Men & Women	1,484	39
Athletic Apparel/Footwear/Sporting Goods	808	22
Apparel - Children	745	12
Lingerie/Underwear/Hosiery	322	8
Apparel - Men	244	11
Accessories	1,297	40
Jewelry	576	14
Accessories	408	12
Handbags/Luggage/Leather Goods	313	14
Home	1,062	31
Housewares/Tableware/Kitchenware	531	18
Home Decor/Furnishings	382	8
Electronics/Appliances	87	3
Home Improvement/Hardware	62	2
Beauty and Health	567	14
Beauty Products/Cosmetics	402	12
Drug/Health	165	2
Other	715	20
Food	500	7
Department Store	85	4
Paper Goods/Cards/Gifts	49	3
General Merchandise	43	3
Books/Music/Video	23	2
Toys	15	1
Totals	12,994	304

Source: 2010 VRN Value Retail Directory