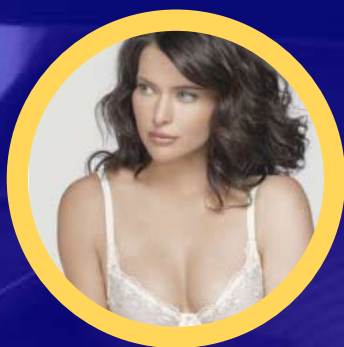


Global market review of lingerie and intimate apparel – forecasts to 2014

2008 edition



Just-style

Global market review of lingerie and intimate apparel – forecasts to 2014

2008 edition

By Malcolm Newbery

February 2008

Published by

Aroq Limited

Seneca House
Buntsford Park Road
Bromsgrove
Worcestershire
B60 3-DX
United Kingdom

Tel: +44 (0)1527 573 600

Fax: +44 (0)1527 577 423

Web: www.just-style.com

Registered in England no: 4307068

Single-user licence edition

This report is provided for individual use only. If you would like to share this report with your colleagues, please order additional copies or sign up for a multi-user licence by contacting:

Kathryn Wedgbury

Research manager, just-style.com

Tel: +44 (0)1527 573 604

Email: kathryn.wedgbury@just-style.com

Copyright statement

© 2008 All content copyright Aroq Limited. All rights reserved.

This publication, or any part of it, may not be copied, reproduced, stored in a retrieval system, or be transmitted in any form by any means electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Aroq Limited. This report is the product of extensive research work. It is protected by copyright under the Copyright, Designs and Patents Act 1988. The authors of Aroq Limited's research reports are drawn from a wide range of professional and academic disciplines. The facts within this report are believed to be correct at the time of publication but cannot be guaranteed. All information within this study has been reasonably verified to the author's and publisher's ability, but neither accept responsibility for loss arising from decisions based on this report.

Incredible ROI for your budget – single and multi-user licences

We understand the pressure your research budget is under and price our reports realistically. You won't find our reports with four, or even five-figure price tags, but you will find that they make some of the competition look expensive. Each title is available to you on a single-user basis, supplied on the strict understanding that each title is not to be copied or shared. Alternatively, titles can be shared within departments or entire corporations via a cost-effective multi-user licence. Multi-user licences can also save you money by avoiding unnecessary order duplication. To further add value, all multi-user

copies are hosted on a password protected extranet for your department or company – saving you time, resources and effort when sharing research with your colleagues. To find out more about multi-user pricing please contact Kathryn Wedgbury.

just-style.com membership

From just GBP99/US\$195/EUR155* a year you will gain access to a growing portfolio of exclusive management briefing reports, and also receive 12 new briefings for each year you are a member. As well as this impressive list of members' only reports, you also gain one year's access to a constantly-updated stream of news, feature articles and analysis. Established in 1999, *just-style* has rapidly evolved into the premier source of global apparel industry news, analysis and data for busy senior executives. For details of the current special joining offer visit: **www.just-style.com/offer.aspx**

*Prices correct at time of publication.

Contents

Single-user licence edition.....	ii
Copyright statement.....	ii
Incredible ROI for your budget – single and multi-user licences.....	ii
just-style.com membership.....	iii
Contents.....	iv
List of tables.....	vi
Chapter 1 Executive summary.....	1
Introduction.....	1
Fashion and function.....	1
The lingerie market 2004-2007.....	2
The lingerie market 2007-2014 and growth opportunities.....	3
Lingerie branding, pricing and costing.....	4
Recent industry events.....	5
A conclusion and a question.....	5
Chapter 2 Introduction.....	6
Bra wars.....	6
Report coverage.....	6
Chapter 3 Market definitions.....	8
Fashion and function.....	8
Lingerie garment definitions.....	9
Geographical definitions.....	12
Monetary valuations.....	12
Chapter 4 The market, 2004-2007.....	14
The 2004 lingerie market.....	14
The 2004 world lingerie market by garment type.....	14
Regional market data.....	15
Average prices and review of lingerie market value.....	18
The 2007 lingerie market.....	19
The 2007 world lingerie market by garment type.....	20
Regional market data.....	21
Average prices and review of lingerie market value.....	23
Growth, 2007 over 2004.....	24
Chapter 5 Market forecasts, 2007-2014.....	26
The 2007 world lingerie market.....	26
The 2014 world lingerie market by garment type.....	26
Average prices and review of lingerie market value.....	29
Lingerie's hot growth opportunities.....	31

Chapter 6 Branding, pricing and costing	33
Retail own label, brands and anonymous lingerie	33
Pricing and retail formats	38
Price points	40
Price points and market share	41
Filling in the price-fashion matrix.....	42
Chapter 7 Major industry events	44
Sara Lee.....	44
VF Corporation.....	44
Warnaco.....	45
The end of portfolio lingerie brands?	45
Chapter 8 Interview with <i>Lingerie Buyer</i>	46
The <i>Lingerie Buyer</i> interview	46
<i>just-style</i> commentary	51
Chapter 9 Companies and brands	54
Après Sara Lee Europe	55
VF Intimates Division	55
Warnaco.....	56
Triumph International	56
Eveden (Fantasie).....	57
Agent Provocateur	57
A conclusion and a question	58

List of tables

Table 1: Currency converter.....	13
Table 2: World retail market for lingerie (bras, briefs and daywear/shapewear) 2004 (US\$bn and % share).....	14
Table 3: World retail market for lingerie (bras and briefs), 2004 value and volume (US\$bn, m units and %)	15
Table 4: Market values for bras, briefs and bodywear by region, 2004 (US\$m, m units and %)	16
Table 5: Average world retail prices for lingerie (bras and briefs) by region, 2004 (US\$)	18
Table 6: World retail market for lingerie (bras, briefs and daywear/shapewear) 2007 (US\$bn and % share).....	20
Table 7: World retail market for lingerie (bras and briefs), 2007 value and volume (US\$bn, m units and %)	20
Table 8: Market values for bras, briefs and bodywear by region, 2007 (US\$m, m units and %)	21
Table 9: Average world retail prices for lingerie (bras and briefs) by region, 2007 (US\$)	23
Table 10: World retail market estimates for lingerie (bras, briefs and daywear/shapewear) 2014 (US\$bn and % share).....	26
Table 11: World retail market estimates for lingerie (bras and briefs), 2014 value and volume (US\$, m units and %).....	27
Table 12: Market value estimates for bras, briefs and bodywear by region, 2014 (US\$m, m units and %)	28
Table 13: Average world retail price estimates for lingerie (bras and briefs) by region, 2014 (US\$)	30
Table 14: Retail market value for brands, own label and anonymous lingerie, by region, 2007 (US\$bn and %).....	35
Table 15: Value of lingerie at retail, wholesale and manufacturer points (brands, retail own label and anonymous, 2007 (US\$bn).....	37
Table 16: The pricing onion for lingerie in Western Europe (US\$ and %)	41
Table 17: Price-fashion matrix of lingerie brands.....	43
Table 18: World market for lingerie (bras, briefs and 'other') 2004-2014 (US\$m and m units).....	59

Chapter 1 Executive summary

Introduction

This is the third edition of *just-style's* lingerie report. It considers the state of the industry worldwide at a time of intense company turmoil. Over three years ago, the first edition of this report suggested that the lingerie product group was one of the most fiercely contested areas of clothing, with a multitude of genuinely international brands, competing with some big-hitting private-label retailers.

The second edition posted up the beginnings of genuine strategic change in the positioning of major brands and own label retailers. Now, that positioning is by no means clear, and brands in particular are re-assessing their market positions.

Fashion and function

It is an accepted fact of life that we do not need as many items of clothing as we buy. We buy because we want to. Nowhere is that clearer than in women's lingerie, which is bought because of style and colour decisions.

Lingerie is bought for many physical and hygienic reasons, but also for some psychological reasons:

- it is bought by women to please themselves (what consumer researchers call a 'personal treat' buy);
- it is bought to please someone else (the 'sex buy' factor). At the time of the second edition in 2005, *Drapers Record* reported that UK retailers believed that xx% of lingerie purchases were made by men to be gifts;
- it is bought in order to be perceived as being 'in fashion'.

But function in lingerie is equally important. The product has to perform, meaning:

- how the fabric works, stretches, moulds etc;
- how the garment fits – fit is a major issue in lingerie.

Chapter 2 Introduction

Bra wars

The first edition of this report, published in 2004, concentrated upon the highly-publicised press concept of 'bra wars'. The report suggested that the lingerie product group was one of the most fiercely-contested areas of clothing, with a multitude of genuinely international brands, competing with some big-hitting private-label retailers.

The second edition concentrated upon the beginnings of genuine strategic change in the positioning of major brands and own label retailers. Since then, and during the period 2005 to 2006, the term 'bra-wars' came to denote more about cheap production from China than competition between brands. Now in 2008, this third edition report suggests that the main area of commercial conflict in lingerie is about how this product group continues to relate to the genuine desires and emotional wants of its female consumer base. In this edition, lingerie is reviewed worldwide, providing insightful analysis of an industry that is now not as sure as it was two years ago about whether it is in tune with what the consumer wants, or what elements of the industry it should concentrate on.

Report coverage

In Chapter 3, the lingerie product sector is reviewed and redefined. This is important because of the accelerating polarisation of the market in the developed world between 'desirable' (higher-priced) bras, briefs and bodywear and the 'value' (lower-priced) end of the market. This is particularly so in the case of briefs in packs.

Chapter 4 looks at the total global lingerie market. It is valued for 2007 at US\$xxxxx^{bn}, up by xxx% from 2004. The fundamental marketing issue in the lingerie business is no longer the battle for share that used to take place between global brands and retailers' own labels around the world. The global brands have looked at this battle, and decided that in some parts of it, they no longer wish to be part of the fight. The burning issue now is whether, if they have lost the will to fight for parts of the developed world market, do they have the will, skills and money to compete in the developing world. Chapter 5

Chapter 3 Market definitions

Fashion and function

just-style has considered the concept of garment consumption ceilings before. The idea was the brainchild of fibre producers. It was intended to help them with their worldwide capacity balancing exercises, whether growing natural fibres or manufacturing synthetics. They assumed that there was a limit to the amount of fibre that would be consumed by an individual. This assumption tried to take account of the spending power of the consumer. Courtaulds went on record by defining the ceiling as xxxkg of fibre per person per year. In common-sense terms, the definition stated that the consumer would not purchase more than the number of jeans, sweaters or suits that he or she needed. In the developed world, that quantity ceiling of consumption was reached quite a few years ago.

So, the theory states that there is no need for a woman to buy more bras or briefs than she needs, a figure which will be determined by:

- how long they last;
- how many are required to cover the washing cycle.

Professionals in the fashion industry know that this concept is nonsense, and not just for lingerie. Imelda Marcos, the wife of the former president of the Philippines, possessed hundreds of pairs of shoes, while jeans addicts have been known to have more than xx pairs in their wardrobes.

Because lingerie is a fashion item, the true number of bras and briefs to be found in a woman's wardrobe, (at least for the developed world) will be a result of style and colour decisions. The woman will think:

- style: this bra style looks right under these clothes;
- colour: I can't wear black briefs under a flimsy white skirt.

Lingerie brands have estimated what quantities of lingerie the average women will have in her wardrobe. It is quite similar for the US and for Western Europe. The average woman buys two bras and five pairs of briefs per year. She has in her wardrobe between five and eight bras, and six to ten pairs of briefs. Real lingerie enthusiasts will have considerably more. Lingerie-purchasing psychology influences the numbers of pieces of lingerie that some women,

Chapter 4 The market, 2004-2007

The 2004 lingerie market

In the second edition of this report, the value of the world lingerie market in 2004 was estimated to be US\$xxxxx^{bn}. There have only been a few very minor adjustments made retrospectively to both retail and trade figures. Their effect on the previous historic estimate is negligible. *just-style*'s assessment of the 2004 value of worldwide lingerie consumption at retail prices for women aged ten years-old and up is US\$xxxxx^{bn}.

The 2004 world lingerie market by garment type

The retail market for lingerie was worth US\$xxxxx^{bn} in 2004. Table 2 shows the breakdown of this by garment category.

Table 2: World retail market for lingerie (bras, briefs and daywear/shapewear) 2004 (US\$bn and % share)

	Bras	Briefs	Daywear/shapewear	Total lingerie
Value (US\$bn)	xxxxx	xxxx	xxx	xxxx
Share (%)	xx	xx	xx	xxx

Source: *just-style*

Of the total value of US\$xxxxx^{bn}:

- bras, at US\$xxxxx^{bn}, accounted for xx% of the market;
- briefs, at US\$xxxxx^{bn}, accounted for xx% of the market;
- daywear and shapewear (corsetry, bodies, teddies etc), valued at US\$xxxxx^{bn}, represented xx% of the total market.

Table 3 contrasts the value information with volume information in units for bras and briefs.

Chapter 5 Market forecasts, 2007-2014

The 2007 world lingerie market

In the previous chapter, *just-style* estimated the value of the global lingerie market in 2007 to be US\$xxxxx^{bn}. It has only grown slowly since 2004 because of:

- the ageing populations in the developed world;
- fierce retail competition driving prices down;
- the continued movement of production to lower-cost countries.

Negative events may well have prompted the negative decisions of major multinational lingerie brands to exit all or parts of their businesses in the last two years. These decisions will be reviewed and analysed in depth in Chapters 7 and 8.

Although, in the developing world, age is adversely affecting lingerie sales, *just-style* expects consumer volume opportunities from the semi-developed and the developing world. They have growing populations, and in most areas they are interested in Western dressing.

The 2014 world lingerie market by garment type

The retail market for lingerie is estimated to grow to US\$xxxxx^{bn} by 2014. Table 10 summarises the breakdown of this by garment category.

Table 10: World retail market estimates for lingerie (bras, briefs and daywear/shapewear) 2014 (US\$bn and % share)

	Bras	Briefs	Daywear/shapewear	Total lingerie
Value (US\$bn)	xxxxx	xxxxx	xxxx	xxxxx
Share (%)	xx	xx	xx	xxx

Source: *just-style*

Chapter 6 Branding, pricing and costing

Retail own label, brands and anonymous lingerie

The clothing industry is notorious for its blurring of brand identity. In the automobile industry, for instance, brands are immediately recognisable, and retailers and distributors sell those brands to consumers. The car is either a Ford or a Toyota. It is not the name of the retailer that happens to sell it.

Over a long period, which started seriously at the end of World War II, consumers in the developed world have come to associate the price, the quality and the reliability of clothing, including lingerie, with the retailer that sells the merchandise, as much as with the originator of the product. In the lingerie sector, this is particularly true for underwear in packs, which are today much in evidence in supermarkets and mass market chains. Consumers buy Wal-Mart or Victoria's Secret in the US. In the UK, they buy Marks & Spencer, BHS or La Senza. Field research in a number of own label stores in London confirmed that more than nearly two-thirds of the briefs product offer on show was presented in packs, and xx% of bras were offered for sale in multiple units. There was also a significant discount over the single price offered to consumers for buying a pack of two or more units.

Over this long period of time, 'retail own label' product has developed the status of a brand. This development and product philosophy is important, because it sets a framework in which the consumer decides what a 'brand' means in terms of price, fashionability and quality, and what brand or own label they are loyal to.

As mentioned above, the retailer brand is a post-World War II phenomenon. There were a few own label retailers before World War II (the most recognisable were Sears Roebuck, JC Penney, Marks & Spencer, Boots and Woolworths) but manufacturer brands controlled the clothing markets of the developed world. From the 1950s onwards, mass-market retail distribution grew and the retailer began to take over from the manufacturer brand. In lingerie, the main retailer brands are to be found in those countries where there is concentrated retail power. The UK is a prime example of concentrated

Chapter 7 Major industry events

Sara Lee

By a piece of serendipity, the second edition of this report was published around the same time as the announcement by Sara Lee of the sales of its European brands to 'an affiliate' of Sun Capital Partners. That affiliate turned out to be what is now called DBA (Dim Branded Apparel). Since then, DBA has divested itself of some of the brands that it bought out of Sara Lee, including Gossard and Berlei, selling them to Courtaulds. Ironically, Courtaulds just happens to be the company that Sara Lee acquired the brands from in the 1990s.

VF Corporation

In spring of last year (2007), a second piece of serendipity occurred. VF Corporation announced that it was to sell off its intimates division, in order to concentrate upon jeanswear. At the time, it was not clear to whom the business might be offered, because only a year earlier, the company had stated that it was central to VF's ongoing strategy. By July 2007, it was fairly clear that the prospective buyer was Fruit of the Loom, part of Berkshire Hathaway, and in September the official announcement on the *Reuters* newswires read:

VF's global intimates business has been sold to Fruit of the Loom (FoL) (Berkshire Hathaway) (Warren Buffet) for US\$xxm in cash. The business generated US\$xxm sales (xx% of VF) and US\$xxm operating profit (x% of VF.) FoL will operate the business as Vanity Fair Brands with John Holland (CEO FoL) saying: "We are delighted at the prospect of adding such strong brands to our portfolio. We were most impressed with the heritage experience and innovative talent of the VF intimates team worldwide."

VF promptly spent the cash on the acquisition of Seven for all Mankind jeans to add to the top end of its portfolio of jeans brands alongside Lee and Wrangler.

Chapter 8 Interview with *Lingerie Buyer*

Zabian Southwood is editor of *Lingerie Buyer*, a specialist trade magazine based in London, UK. *Lingerie Buyer* is part of RAS Publishing, which itself belongs to the publishing and trade exhibitions and events company, ITE Group PLC. Southwood's knowledge of the lingerie industry is invaluable in terms of considering the key issues facing lingerie in 2008.

The *Lingerie Buyer* interview

***just-style*:** I would like to talk to you about three specific subjects, which we at *just-style* believe are having major influences on the lingerie industry. They are:

- the dramatic changes in ownership of the big multinationals;
- changes in the methods of distribution of lingerie to the final consumer;
- styling and fabric trends and their effects upon brand marketing.

Starting with the big multinationals, at the time of the second edition [of this report], Sara Lee was in the middle of divesting itself of its European brands, and focusing its US business on the Hanes brand. The European brands (Playtex, Wonderbra, Gossard and Berlei) were sold to Dim Branded Apparel (DBA). What do you believe was the rationale behind that divestment?

Zabian Southwood: I think it is important to look back at what drove Sara Lee to acquire these businesses in the first place. It embarked upon what looked to some of us like a frenzy of acquisitions, which created a group of overlapping brands, which in some cases were competing with each other.

***j-s*:** Would it be fair to say that it did not understand the positioning of its brands in the marketplace?

ZS: That might be a bit harsh but there was no doubt that its group of brands gave the impression that each was involved in chasing the same consumer.

Chapter 9 Companies and brands

At the end of the last chapter, *just-style* questioned the continuing relevance of the 'portfolio' brands approach. In the second edition of this report, considerable attention was paid to many of the brands (particularly the multinationals) attempting to 'straddle' a number of market positions in terms of:

- the nature of the merchandise in their ranges;
- the message they are trying to get over to a number of different consumer groups.

Straddling market positions is difficult for the portfolio brands, because the consumer groups have different:

- ages;
- abilities to spend;
- attitudes.

In the second edition of this report, *just-style* compared and contrasted the messages that were being given by six companies:

- Sara Lee, and its numerous lingerie brands;
- VF Corporation, and its numerous lingerie brands;
- Triumph, and its brands Triumph, Sloggi, Valissere and Tabu;
- Warnaco, and its brands Body by Nancy Ganz, Calvin Klein, Lejaby;
- Eveden, and its brands Fantasie, Freya, Rigby & Peller;
- Shirley of Hollywood and other 'sexy' lingerie brands.

The events that make the third edition of this report so important are that all three of the major portfolio multinational players have either sold part of their portfolio (Sara Lee and Warnaco in Europe) or all of it (VF Intimates to Fruit of the Loom).

This has convinced *just-style* that, whatever statements various international brands may happen to make, there is no future for a monolithic McDonald's-type approach to selling lingerie around the world. Just as in international politics, where the trend since 1990 has been for countries to break-up into smaller political, religious or ethnic units, so lingerie is splitting itself up to satisfy very different consumer attitudes.