



SECTION II

WWD DENIM IN DEPTH

# By the Numbers: Women's

By Ross Tucker

THE DENIM INDUSTRY HAS SHRUGGED off the recession and is showing stronger growth and renewed vigor.

Women proved throughout the economic downturn that they had come to view denim as a wardrobe staple, an item with higher perceived value due to its versatility and durability. They may have been willing to trade down on price, but they certainly weren't willing to trade out.

Sales of women's jeans in the U.S. rose 6.2 percent to \$8.52 billion for the 12 months through March 31 compared with sales of \$8.02 billion, a 4.6 percent increase, during the same period in the prior year, according to data from market research firm The NPD Group.

While the gains are notable, there's still evidence that the impact of the financial crisis continues to linger. According to NPD, the average price for women's jeans fell 1.3 percent to \$23.18 from \$23.49, marking the second straight year of declines. That trend offers some explanation of the presence of two newcomers to the rankings of the top 10 women's brands this year: Angels, a junior line that sells at Kohl's, and Just My Size, a plus-size line, claimed the ninth and 10th spots this year, respectively, with both lines retailing between \$20 and \$30. Pushed out of the top 10 were Lucky Brand Jeans and Liz Claiborne.

Brands and denim specialty retailers are seeing clear signs of a rebound. Leah Eckelberger, owner of Boston's Jean Therapy, offers her store to advertising agencies, magazines or financial institutions to host private shopping events for their clients. Those events dried up 14 months ago, but have started to come back recently.

"In the last three months, we've definitely seen the return of that and it's been amazing," said Eckelberger. "That, to me, is a sure sign that things are a lot better than they were."

Lady Fuller, owner of the Blues Jean Bar, a chain of seven stores in Chicago, Dallas, Denver, San Francisco and Santa Monica, Calif., described 2008 as "hideous" and the first half of 2009 as "rough."

However, the difficulties forced her to reexamine her business and adapt in order to survive. Fuller started carrying the majority of her stores' 40 or so brands on consignment, a move she credits with helping keep the business afloat. She also made a concerted effort to make sure her selection of brands didn't look anything like the mix offered at local department stores. Fuller and many other denim boutiques were burned when those neighboring department stores slashed prices on leading premium labels in order to dump inventory, making their stores look prohibitively expensive.

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Replay's revamped Milan store opened in April.

## TOP 10 WOMEN'S JEANS BRANDS BY SALES

1. LEVI'S\*
2. GLORIA VANDERBILT
3. LEE
4. RIDERS BY LEE
5. SEVEN FOR ALL MANKIND
6. CALVIN KLEIN
7. POLO/RALPH LAUREN
8. WRANGLER
9. ANGELS
10. JUST MY SIZE

\*INCLUDES ALL LEVI'S LABELS

## WWD DENIM IN DEPTH

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"We went and found smaller vendors that were less known and more interesting to our customers," said Fuller.

Brands such as Fidelity and DL1961 caught the attention of customers and Fuller said her sales so far in 2010 are 20 to 30 percent above 2009.

Fuller also said customers have come out of the recession looking for more from their purchases.

"I think people are very conscious about where they spend their money and how they spend it," she said. "If they feel someone can explain to them why this product is different and value of it...they're willing to spend the money there."

There's been another indicator for Fuller that customers are loosening up and getting more interested in fashion.

"White jeans," said Fuller, "which makes me think people are back to buying not just the necessary jeans, but a bit more fashion-oriented jeans. We were not prepared for how many people were interested in the white jean."

Sheryl Blit, owner and buyer for Havana Jeans, which has stores in Rye and Scarsdale, N.Y., and Stamford, Conn., echoed Fuller's sentiments about having to reexamine business practices and finding ways to reduce inventory risk. Her customers are feeling more comfortable to spend, but their cautious attitude makes sales slightly less consistent. As a result, she's still keeping a close eye on inventory and strong sellers.

"Last year, we had to figure it out," said Blit. "Now, I think we've figured it out. We just have to stay on top of it and we're working harder."

Frank Pizzurro, former vice president of retail for AG Adriano Goldschmied, opened his own denim boutique, Brooklyn Denim Co., just over two months ago and is finding strength in distinct price segments.

"We're doing really well at the moderate price, like \$130 to \$140 and under, and then we're doing really well at \$250 and up," he said.

Pizzurro has been surprised to see more women coming into the shop looking for rigid denim, something he credits to putting his store in one of the city's hippest and most fashion-forward neighborhoods.

"Brooklyn's a little ahead of the curve, especially in Williamsburg, so we really get some good feedback," he said.

Brand executives are seeing store buyers start to come out of their shells a bit more, as well.

"It's evident that [buyers] are starting to get comfortable to spend money again," said Michael Press, who joined Vintage Revolution as president in January. "We're starting to get customers that are selling again."

Press added that after relying on proven sellers to get them through the recession, buyers now have a "massive" appetite for new labels. The challenge of placing a newer label remains steep. Press estimated that retailers have cut inventory levels by 25 to 40 percent and are only moderately expanding those levels.

"I think [buyers] are definitely looking to expand their orders marginally," said Ray Tolles, vice president of sales for the 1921 premium label, which is owned by the maker of Silver Jeans.

## THE JEGGING STEPS FORWARD

The denim legging, or jegging, has been the clear winner in the women's denim category over the last year. Advancements in use of stretch fibers at the fabric level resulted in a product that hit all the right notes for consumers (see related story, page 32). It's comfortable, fashionable and, above all, cheaper. For brands and retailers, the denim legging carried them through the darkest days of the downturn.

"The jegging has been our low-rise, boot-cut jean of the late Nineties," said Eckelberger.

Eckelberger said the popularity of the style helped energize customers and also helped change the way people think about denim.

"Interest in a skinny jean and a jegging definitely got people in the door and refreshed what we think about, too," she said.

Fuller said since denim leggings tended to be made of lighter-weight fabrics, they appealed to customers who viewed them as a year-round item.

"The jegging did hit at a good time to keep the business afloat, absolutely," said Blit. "It definitely took some of your [traditional] denim sales away because this became such an item."

Predictably, brands have flooded the market with their version of the legging and it appears the style has staying power.

"The denim legging category is so strong that it's just one of those elements that's been added to everybody's jeans line," said Tolles. "That's not a transitional kind of thing like the boyfriend. That had a specific look for a specific time. The denim legging is just such a comfort factor that it's now being incorporated into several different looks."

## FOLLOWING THE MONEY

The denim industry's appeal is capturing the attention of the financial and investment community, particularly in the premium segment. Many smaller premium labels were forced out of the market by the recession, but those that had a solid footing beneath them heading into the storm have become even more appealing coming out of it.

In March 2009, former Reebok chief executive officer Paul Fireman partnered his Fireman Capital Partners private equity firm with Webster Capital to invest in Hudson Jeans. The size of the investment was reportedly upward of \$30 million and resulted in the installation of a board responsible for helping develop the brand into a global lifestyle label.

The latest investment came in February when Star Avenue Capital LLC acquired a majority interested in Los Angeles-based J Brand in a deal said to be valued in excess of \$50 million. Star Avenue was established in early 2009 as a three-way partnership between Star's management, private equity firm Irving Place Capital — a key investor in operations such as Aéropostale, Seven For All Mankind, Stuart Weitzman and The Vitamin Shoppe — and entertainment powerhouse Creative Artists Agency.

As part of the deal, J Brand welcomed former Jones Apparel Group Inc. ceo Peter Boneparth as its chairman.

"It's a segment of the market I think has some real staying power and some upside potential, as well," Boneparth said of the premium denim segment.

CHANNEL SURFING  
U.S. WOMEN'S JEANS SALES BY DOLLAR VOLUME

	2010	2009	% CHANGE
SPECIALTY STORES	\$3.3 BILLION	\$3.06 BILLION	7.9
DEPARTMENT STORES	\$1.28 BILLION	\$1.23 BILLION	3.7
MASS MERCHANTS	\$1.22 BILLION	\$1.23 BILLION	-1
NATIONAL CHAINS	\$1.14 BILLION	\$1.14 BILLION	0
OFF-PRICE RETAILERS	\$854.8 MILLION	\$680.8 MILLION	25.6
MAIL/INTERNET	\$361.4 MILLION	\$347.2 MILLION	4.1
OTHER	\$267.3 MILLION	\$228.9 MILLION	16.8
OUTLETS	\$98 MILLION	\$101.3 MILLION	-3.3

NOTE: DATA ARE FOR THE 12 MONTHS THROUGH MARCH 2010. SOURCE: THE NPD GROUP



## U.S. WOMEN'S MARKET

	2010	2009	% CHANGE
SPORTSWEAR	\$65.55 BILLION	\$66.16 BILLION	-0.9
JEANS	\$8.52 BILLION	\$8.02 BILLION	6.2
SPORTSWEAR (UNITS)	4.23 BILLION	4.31 BILLION	-1.9
JEANS (UNITS)	367.7 MILLION	341.5 MILLION	7.7
AVERAGE JEANS PRICE	\$23.18 MILLION	\$23.49 MILLION	-1.3

WWD DENIM IN DEPTH

# By the Numbers: Men's

By David Lipke

**GUYS ARE BUYING FEWER JEANS THESE DAYS BUT PAYING SLIGHTLY MORE FOR THEM, KEEPING OVERALL MEN'S DENIM SALES STABLE OVER THE PAST YEAR.**

For the 12 months ended in March, total sales were \$5.4 billion, up slightly from \$5.39 billion the previous year, according to NPD Group data. Unit sales dipped 3.3 percent to 227.3 million pairs of jeans, but the average price increased to \$23.74, up from \$22.91.

Men's denim has proven resilient, even as total men's sportswear sales declined 2.4 percent to \$34.29 billion for the year ended in March.

For the 12 months ended in March, men's denim sales grew in specialty stores, off-price retailers and direct mail/e-commerce pure plays, while department stores, national chains, mass merchants and factory outlets lost some ground.

As the economy improves, men are shelling out more green for their indigo. Men's jeans priced under \$25 declined in overall volume by 7.9 percent to \$2.38 billion, as those priced from \$25 to \$49.99 grew by 8.5 percent to \$2.26 billion. Denim priced over \$50 expanded by 5.3 percent to \$754.8 million.

At VF Corp.'s jeanswear coalition, which houses Wrangler and Lee, sales declined 4 percent in 2009, on top of an 8 percent drop in 2008, but the company believes it continues to grow market share, as competitors suffered larger declines in the challenging retail environment.

Boot fits are strong sellers at Wrangler, which includes two mass sublabels, Wrangler Five Star and Wrangler Jeans Co., that are sold at Wal-Mart, Kmart, Target and regional chains like Shopko, Myer and Pamida. This fall, the company will grow distribution of its Comfort Solution series of jeans with stretch waistbands that expand up to two inches. The \$20 jeans were introduced last year and will be available at more points of sale this coming season, said Jenni Broyles, senior marketing communications manager at Wrangler.

Calvin Klein and licensee Warnaco will introduce a higher-priced denim style this fall called Calvin Klein X Jeans that will retail for \$99 and feature a stretch waistband and novelty seaming and darts that contour the jeans to the body. There's even a dart on the lower leg meant to accentuate the calf muscle.

"This is an extension of our Body jean that we've had great success with. It's profile-enhancing, and it really enhances the shape and form of the wearer," said Kevin Carrigan, global creative director for Calvin Klein Jeans.

The men's X Jeans have a skinny 13-inch leg opening, with some styles incorporating up to 28 percent T400 Lycra spandex for high levels of stretch and comfort.

"It makes the denim ultrasoft," Carrigan said. "It's a very simple, clean jean, so it's really about the fit and comfort. The high Lycra count means there's no bagging at the knees and the jean really keeps its shape."

Carrigan added that Calvin Klein is pushing the head-to-toe denim look with shirts and jackets for fall, as well. The brand showcased the look on its runway extravaganza in Shanghai last month. For spring 2011, Calvin Klein will introduce new denim fabrics that blend in Tencel for additional softness and drape.

Calvin Klein will introduce a new replenishment program for its Body jean this fall, which retails for \$59.50 compared to \$39.50 for its basic models.

"We're putting that on quick response for this fall," said David Cunningham, president of the Calvin Klein Jeans business at Warnaco. "We've had a nice bump in sales from Body last fall and it's a sign that if you offer the right design and quality, the consumer is willing to pay for it."

At Seven For All Mankind, another VF Corp.-owned brand, the men's business is up double digits for the first quarter, according to Susan Kellogg, president of VF Corp.'s contemporary sportswear coalition.

"Men's is outpacing our overall business," she said. "Things really started to turn around in the fourth quarter of 2009. The customer started to shop again."

The brand suffered an extended slide last year, with overall brand sales falling 8 percent, due to difficult conditions in upscale department and specialty stores. However, Kellogg noted that even during that decline, men's remained strong for the brand.

"Men's is more price resistant than women," she said. "I'm really behind the men's business, and I think it's a high-growth area for us."

Its own retail chain remains a central initiative for the company, and its direct-to-consumer

## U.S. MEN'S MARKET

	2010	2009	% CHANGE
SPORTSWEAR	\$34.29 BILLION	\$35.15 BILLION	-2.4
JEANS	\$5.4 BILLION	\$5.39 BILLION	0.2
SPORTSWEAR (UNITS)	2.01 BILLION	2.06 BILLION	-2.4
JEANS (UNITS)	227.3 MILLION	235.1 MILLION	-3.3

NOTE: DATA ARE FOR THE 12 MONTHS THROUGH MARCH 2010. SOURCE: THE NPD GROUP

Calvin Klein Jeans' Kevin Carrigan with models for the new X Jeans.



## TOP 10 MEN'S JEANS BRANDS BY SALES

1. LEVI'S®
2. WRANGLER
3. LEE
4. CALVIN KLEIN
5. SOUTHPOLE
6. DICKIES
7. RUSTLER
8. ROGAWEAR
9. POLO/RALPH LAUREN
10. SEAN JOHN

\*INCLUDES ALL LEVI'S LABELS

At Hudson Jeans, the company has kept its prices stable and resisted price pressure from retailers, said president and chief executive officer Peter Kim.

"Stores are always asking for lower prices, but we've stayed true to our pricing structure," Kim said. "We use the best mills in Italy and Japan and make everything in L.A., and we don't want to compromise on that quality."

Hudson men's denim retails for \$170 to \$260, with the bulk in the \$180 to \$190 range.

The Hudson men's business is on track to comprise 10 to 15 per-

cent of sales this year, up from less than five percent in 2009.

"It's tracking extremely well," Kim said. "Our current pace is to triple our men's business this year. We've made a conscious decision to take the men's business a lot more seriously."

The Los Angeles-based brand got a major cash infusion from investment firms Fireman Capital Partners and Webster Capital last year. Its men's denim is now available in Neiman Marcus, Saks Fifth Avenue, Nordstrom, Bloomingdale's and Bergdorf Goodman, as well as more than 250 independent specialty store accounts like American Rag, E Street Denim and Mario's. The company has partnered with several of its retailers in recent months to create promotional parties with DJs and cocktails, including events with Barneys New York and National Jeans Co.

"We understand times are tough and we want to help our stores as much as possible, whether that's events or negotiating about terms and payments," Kim said. "The key is communication and getting through these challenging times together."

Stretch offerings are a big component of Hudson's men's line, with 70 to 80 percent of sales in stretch styles. While skinny fits tend to get the most editorial attention these days, straight legs are still the best-selling style at Hudson, followed by a boot fit.

"It depends on geography and channel," Kim added. "In department stores, there's a balance between a relaxed boot and the straight leg. In specialty stores, you see more straight leg. The skinny is a much smaller piece of our business for the fashion consumer."