# An Overview of the Canadian and Mexican Apparel Markets

# September 2010

# Purpose of Today's Presentation

- Introduce Trendex North America
- Identity differences between the retail apparel markets in Canada and Mexico
- Overview 2009 apparel export patterns to Canada and Mexico
- Provide market entry insights into both apparel markets

# Trendex North America

**Provides comprehensive ongoing marketing metrics to the Canadian and Mexican apparel industries.**

**As apparel industry specialists Trendex also offers companies value added insights based on both working with apparel retailers and suppliers and its continuous propriety research information services.**

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NORTH AMERICA

August 2010

# Canadian Apparel Insights

**Featured Stories:**
- U.S. Apparel Retailers in Canada
- Independent Apparel Specialty Stores

**Updates On:**
- Gap Canada
- Forzani Group
- West 49
- Children's Place
- American Apparel
- Apparel Price Inflation
- Population Growth

**Product Focus:**
- Men's Tailored Clothing
- Women's Dresses

**Canada:**
- Retail Sales
- Retailer Sales
- Imports/Exports
- Other Metrics

**U.S. Market:**
- Retail Sales
- Retailer Performance

**Other:**
- NAFTA Market
- Walmart Update
- E-Commerce
- Etc.

**Next Issue Featured Stores:**
- Internet Apparel Sales

## U. S. Apparel Retailers in Canada
## Veni, Vidi, Vici - Not Quite Yet

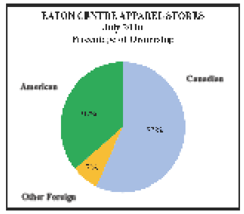
Seemingly not a month goes by over the past two years without an announcement that an American apparel retailer is either entering the Canadian market or is investigating the possibly of doing so. The recent list of retailers includes Marshalls, J. Crew and Kohls. (Remember however that The Globe reported five years ago that Chico's was coming to Canada). There can be no doubt that the number of American apparel retailers entering Canada over the past five years has grown dramatically. As such it would seem an appropriate time to asses both their reasons for entering Canada and their collective importance in the Canadian apparel market.

One caveat however at the outset, this analysis will focus on only specialty stores and exclude U.S. owned Canadian mass retailers including Sears, HBC, Wal-Mart, Costo and Winners. Collectively these five retailers account for 39% of the Canadian apparel market.

There seems to be consensus that American apparel retailers enter Canada for either all or some of the following reasons:

- Over saturation of the U.S. retail market which limits expansion.
- As a test market prior to opening stores in Europe or Asia.
- Canadians familiarity with U.S. retailers
- Similar styling tastes between U.S. and Canadian age 15-40 consumers

Trendex estimates that in 2009 there were 27 American apparel specialty chains in Canada collectively operating in excess of 1,800 outlets and whose sales were almost $3.2 billion (US$). The chains ranged in size from Brooks Brothers with two stores to La Senza with 258 stores and The Gap (Total) with 191 stores. American apparel specialty retailers have their largest share in the 15-29 age segment, thanks to retailers such as Aeropstale, American Eagle, the Gap, La Senza and Urban Behavior.




| U.S. APPAREL RETAILERS SALES IN CANADA 2009 U.S.$ in Thousands | |
|---|---|
| Aeropostale | $88,000 |
| American Apparel | $68,983 |
| Children's Place | $202,025 |
| The Gap (Total) | $860,000 |
| The Gap | $312,000 |
| Old Navy | $386,000 |
| Banana Republic | $162,000 |
| LaSenza | $423,000 |
| Moores | $220,049 |
| Motherhood | $20,582 |
| Talbot's | $34,659 |

## Independent Retailers - Going, Going?

Are independent apparel retailers on the verge of extinction? That's the question that has been asked repeatedly since the mid nineties when both the number and share of independent retailers began to steadily decrease. In just the past three years, independents share of the Canadian clothing market has decreased from 7.5% in 2007 to 5.2% in 2009. In 1995 independents accounted for 12.5% of the apparel market.

Even though independents share has fallen they are still very important for a number of merchandise categories.

| TOTAL APPAREL MARKET Retail Dollar Share Independent Specialty Stores | | | |
|---|---|---|---|
| | 2007 | 2008 | 2009 |
| Total | 7.5% | 5.7% | 5.2% |
| Men | 7.8% | 6.8% | 6.6% |
| Women | 8.2% | 6.2% | 5.3% |
| Juvenile | 2.9% | 2.2% | 2.0% |

Trendex
NORTH AMERICA

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# Mexican Apparel and Footwear Insights

Featured Stories:
- 2009 in Review
- Suburbia Turns Around
- Tianguis - How Important?

Updates on:
- Youth Retailers
- Zara
- Marti

Market Overviews:
- Women's Apparel

Product Focus:
- Jean's Market
- Men's Casual Pants
- Women's Lingerie

Market Focus:
- Mexican Retail Apparel Sales
- Imports/Exports

Footwear Focus:
- Women's Footwear

Wal-Mart Watch

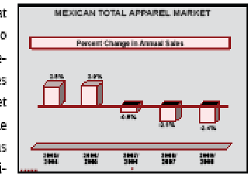
Foreign Markets
- U.S. Apparel Market
- NAFTA Market
- E-Commerce
- Luxury Segment

Next Issue Featured Stories
- Soriana
- Women's Pant Market

## 2009 In Review: Bad But Not Horrible

With the coming of 2009 came confirmation that Mexico was entering a recession. Accompanying this certainty were dire predictions as to consumer spending on apparel and the number of retailers that would be forced to close. A review of the data for 2009 indicates that although the Mexican apparel market performed worse than in the past five years, the market could have performed much worse !

In 2009 Trendex estimates that retail apparel sales in Mexico decreased by 2.4%. The decrease in retail apparel sales was the third year the market contracted. Undoubtedly, the decrease in sales in 2009 was due to both the "economic crises" and the large decrease in remittances from Mexican's working in the United States. Sales of apparel in Mexico during 2009 totaled $20.5 billion (US$). *(Continue on page 5)*




| MEXICAN TOTAL APPAREL MARKET Pesos | | | |
|---|---|---|---|
| Enero—Diciembre | 2007 | 2008 | 2009 |
| Wal-Mart | 3.6% | 3.4% | 3.1% |
| Bodega Aurrera | 2.8% | 3.3% | 3.3% |
| Comercial Mexicana | 1.3% | 1.6% | 1.3% |
| Chedraui | 0.8% | 1.0% | 1.1% |
| Famsa | 1.3% | 1.1% | 1.3% |
| Soriana | 1.9% | 2.1% | 2.3% |
| Liverpool | 6.3% | 7.3% | 6.0% |
| Palacio de Hierro | 1.6% | 1.3% | 1.2% |
| Suburbia | 9.2% | 8.9% | 9.1% |
| Sears | 3.4% | 2.3% | 2.4% |
| Coppel | 2.8% | 3.3% | 4.3% |
| Zara | 2.9% | 2.4% | 2.2% |
| C&A | 1.2% | 0.9% | 1.0% |
| TOTAL | 39.1% | 39.8% | 38.8% |

## Suburbia Turns Around

Once the signal is given it takes a U. S. aircraft carrier seven miles of water to turn around. For Suburbia, the seven miles translated into almost a year as a new management team last year methodically identified Suburbia's shortcomings and opportunities and set about to address them. The net result was Suburbia's sales having decreased from 9.3 billion pesos in 2007 to 8.8 billion in 2008, remained unchanged in 2009. Moreover, Suburbia's apparel market share, having decreased from 9.2% in 2007 to 8.9% in 2008, increased to 9.2% in 2009.

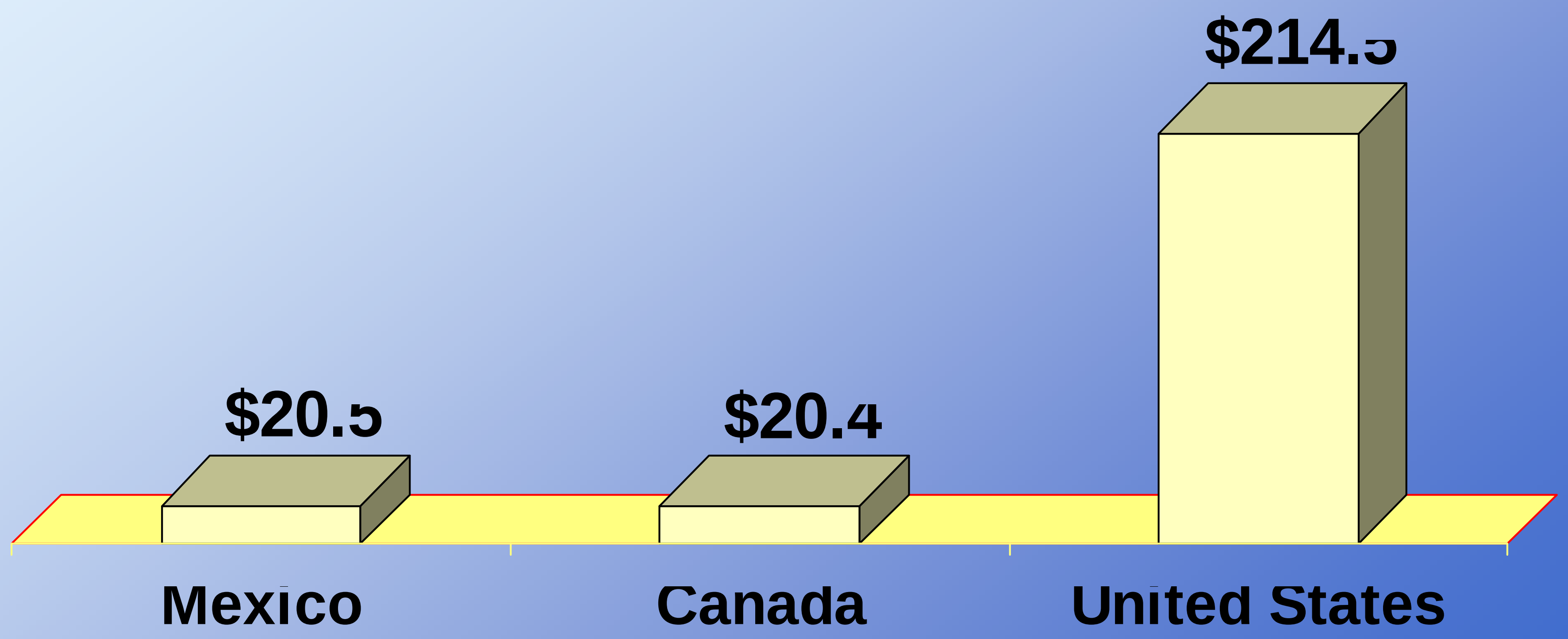
Suburbia's turnaround began with its lowering prices on hundres of products including basic products and revamping its assortments and adding new brands, such as Everlast and Converse, and re-emphasizing brands such as Mossimo and Emmanuel. To complete the turnaround, Suburbia will have to both cut back the number of private labels offered and turn the remaining ones to true brands, as previously done with Weekend.

| MEXICAN APPAREL MARKET Suburbia's Pesos Sales | | | |
|---|---|---|---|
| Segment | 2007 | 2008 | 2009 |
| Total Market | 9.2% | 8.9% | 9.1% |
| Men | 9.1% | 9.2% | 9.9% |
| Women | 9.1% | 9.5% | 8.6% |
| Juvenile | 8.1% | 7.1% | 8.6% |

# TOTAL NAFTA APPAREL MARKET

**2009 Dollars**

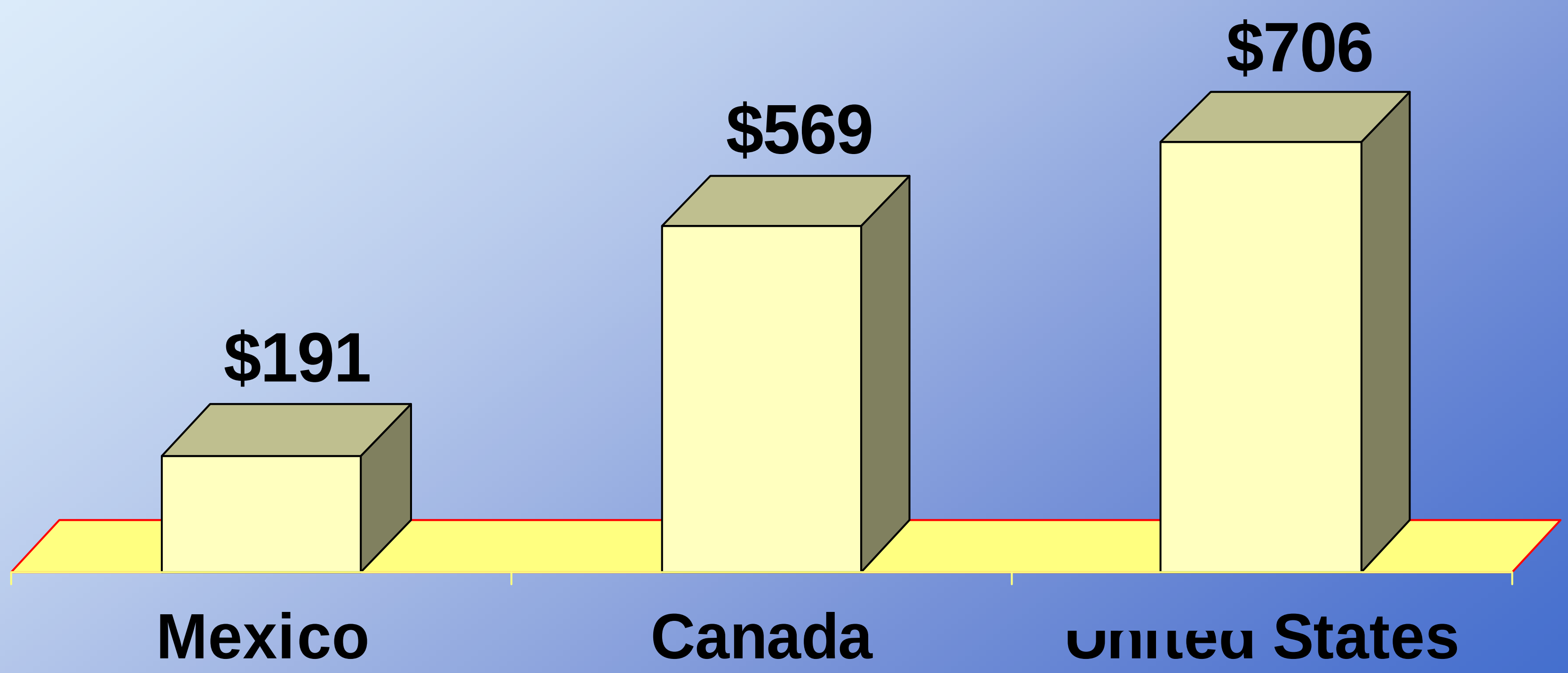
**Estimated Retail Sales (U.S. Billions)**



# TOTAL NAFTA APPAREL MARKET

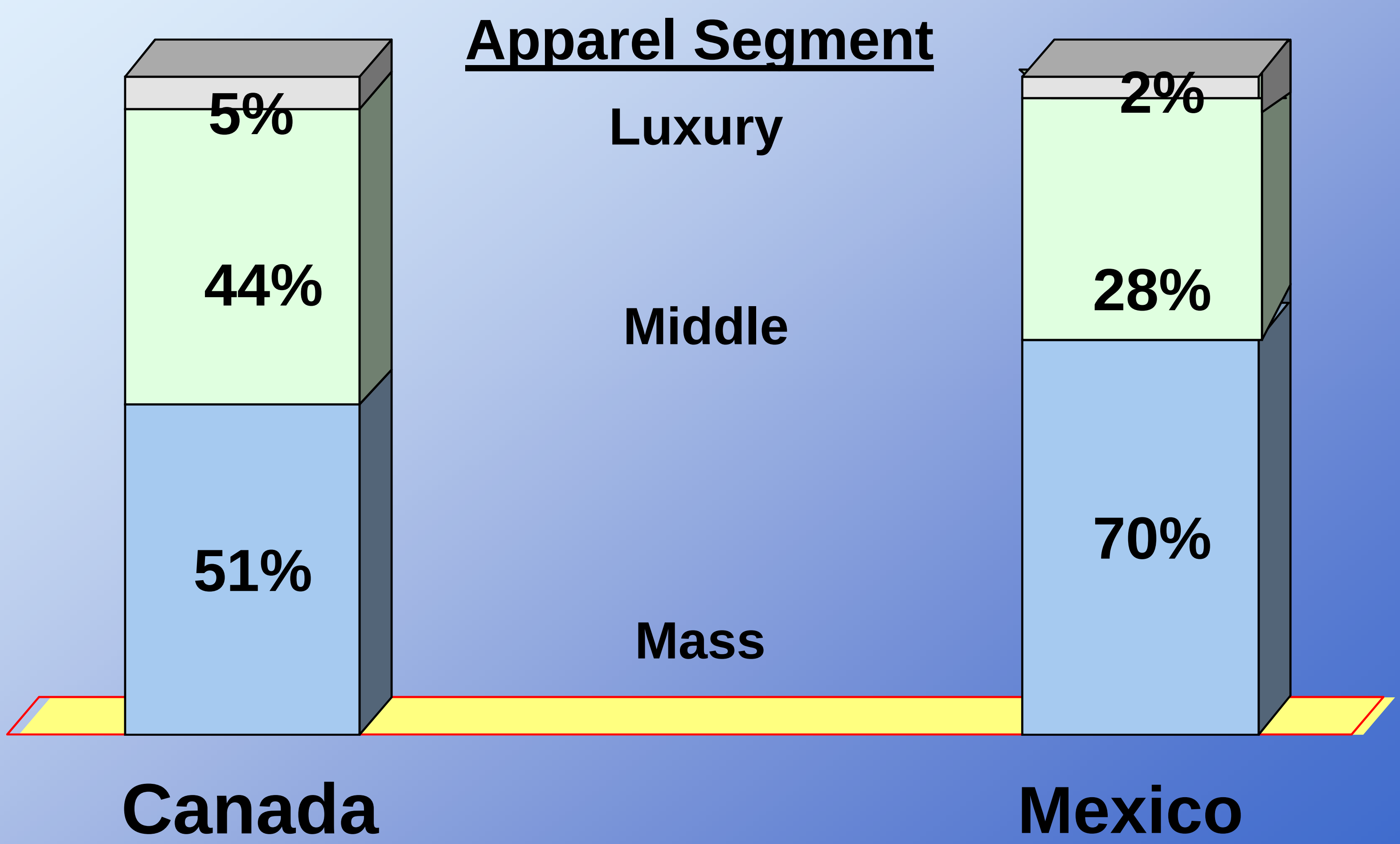
**2009**

**Retail Sales Per Individual (U.S. Dollars)**



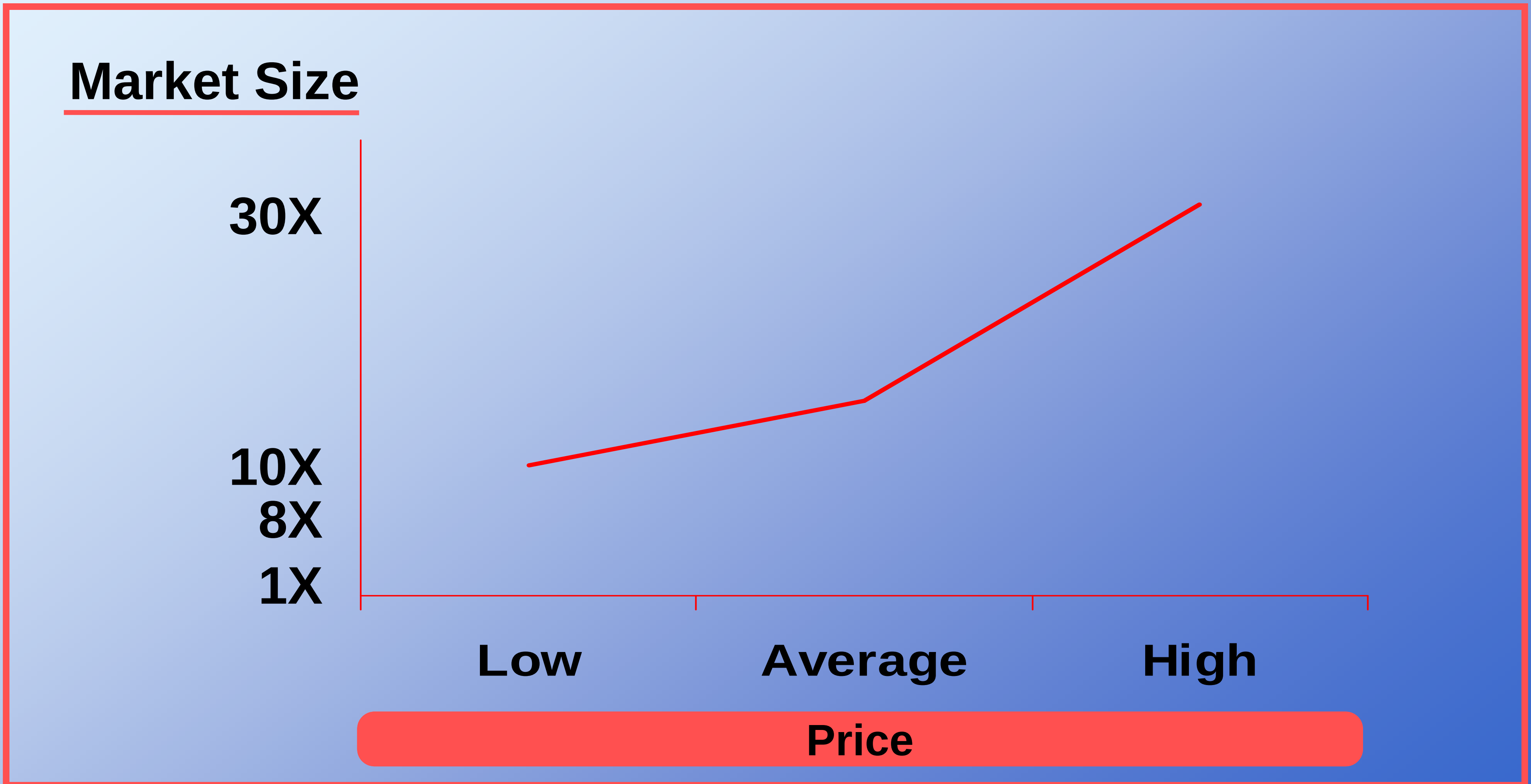
# Canadian and Mexican Apparel Markets

## 2009 Retail Sales



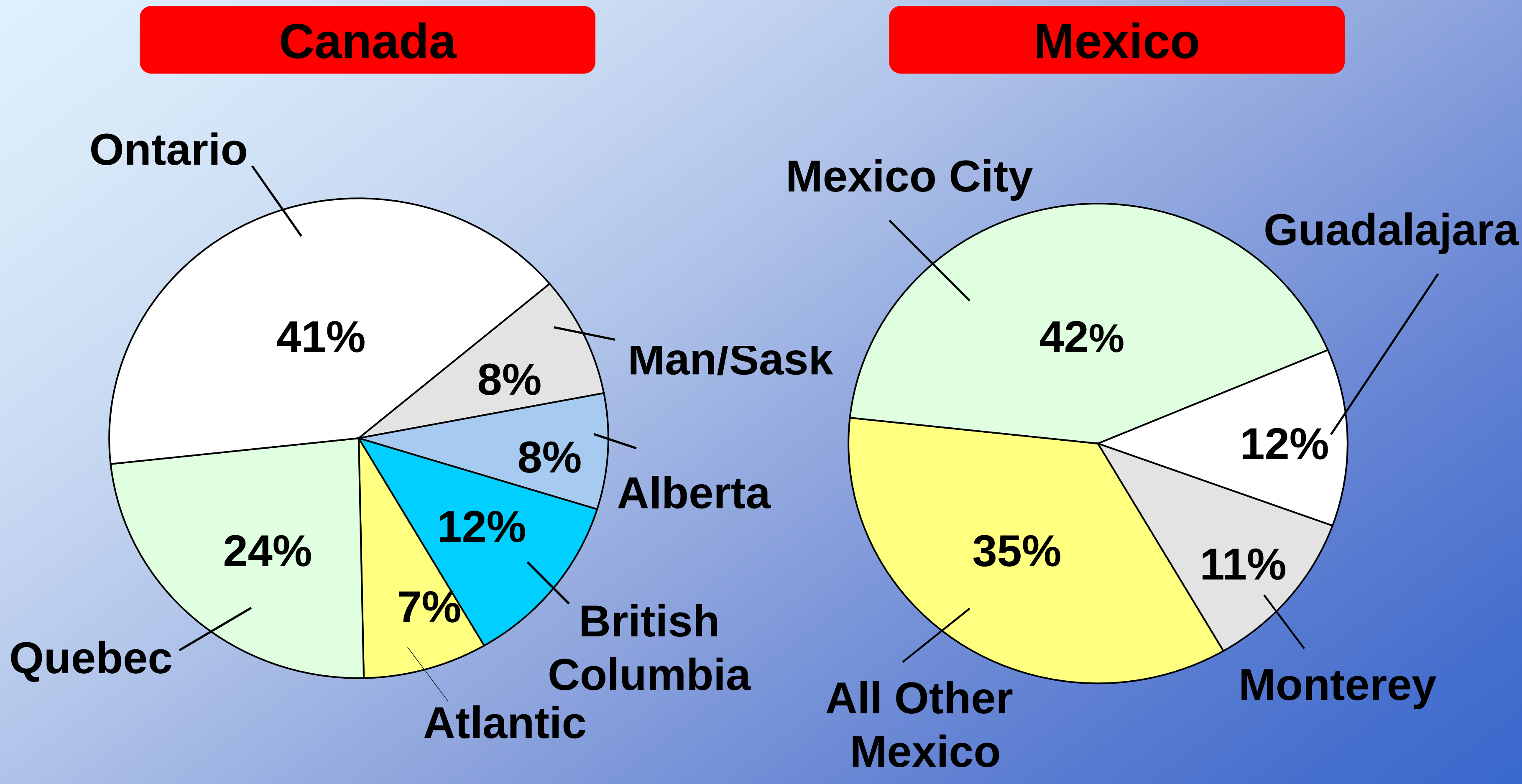
# Canadian and United States Apparel Markets

## Ratio of Product's U.S. Sales to Canadian Sales



# CANADIAN and MEXICAN APPAREL MARKETS

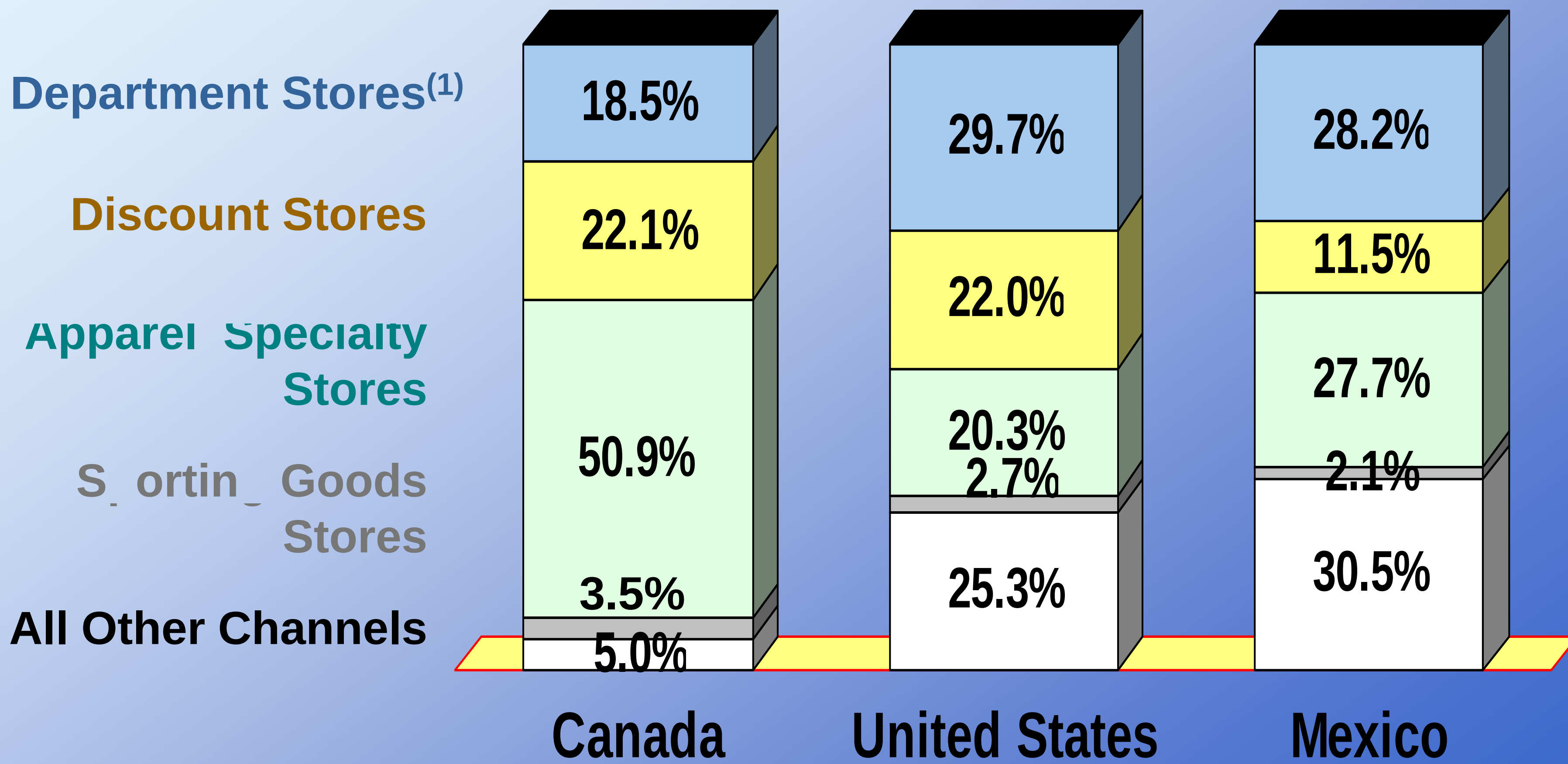
## 2009 Retail Sales



# TOTAL NAFTA APPAREL MARKET

## 2009 Dollars

## Retail Channels of Distribution

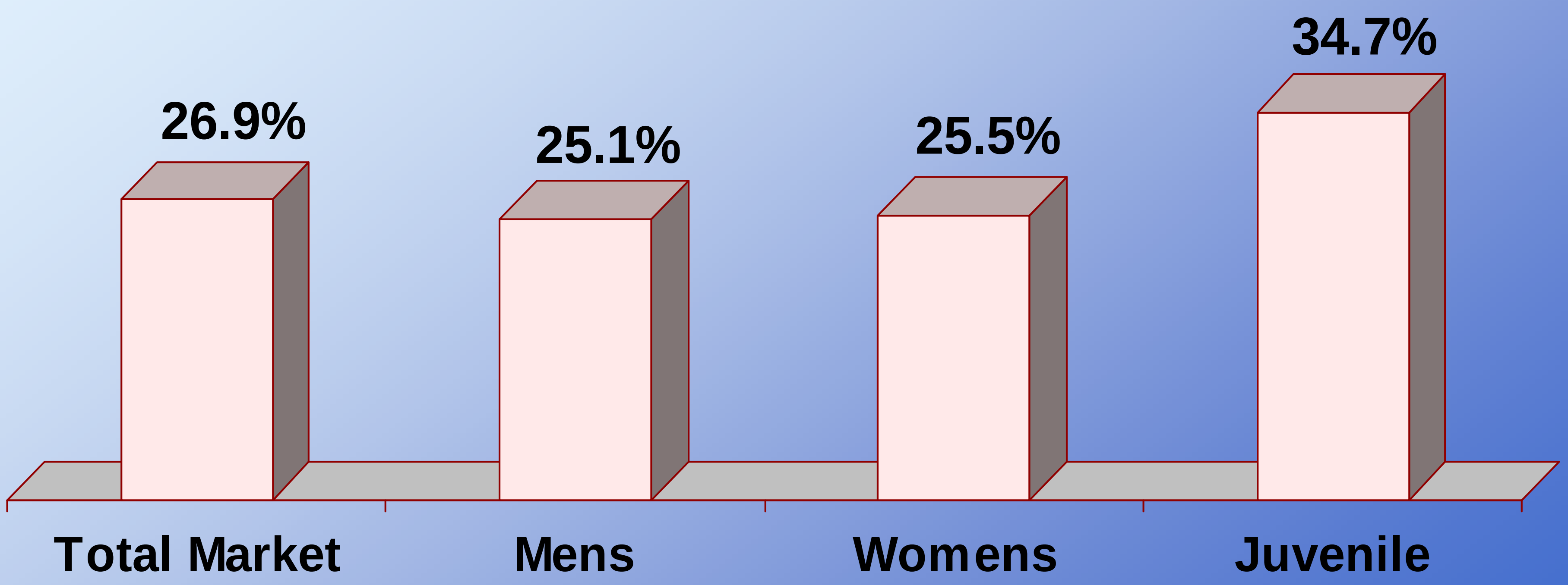



*includes J.C. Penney & Sears

# Total Mexican Apparel Market

## 2009 Retail Sales

## Informal Markets Share



# MEXICAN MEN'S APPAREL MARKET

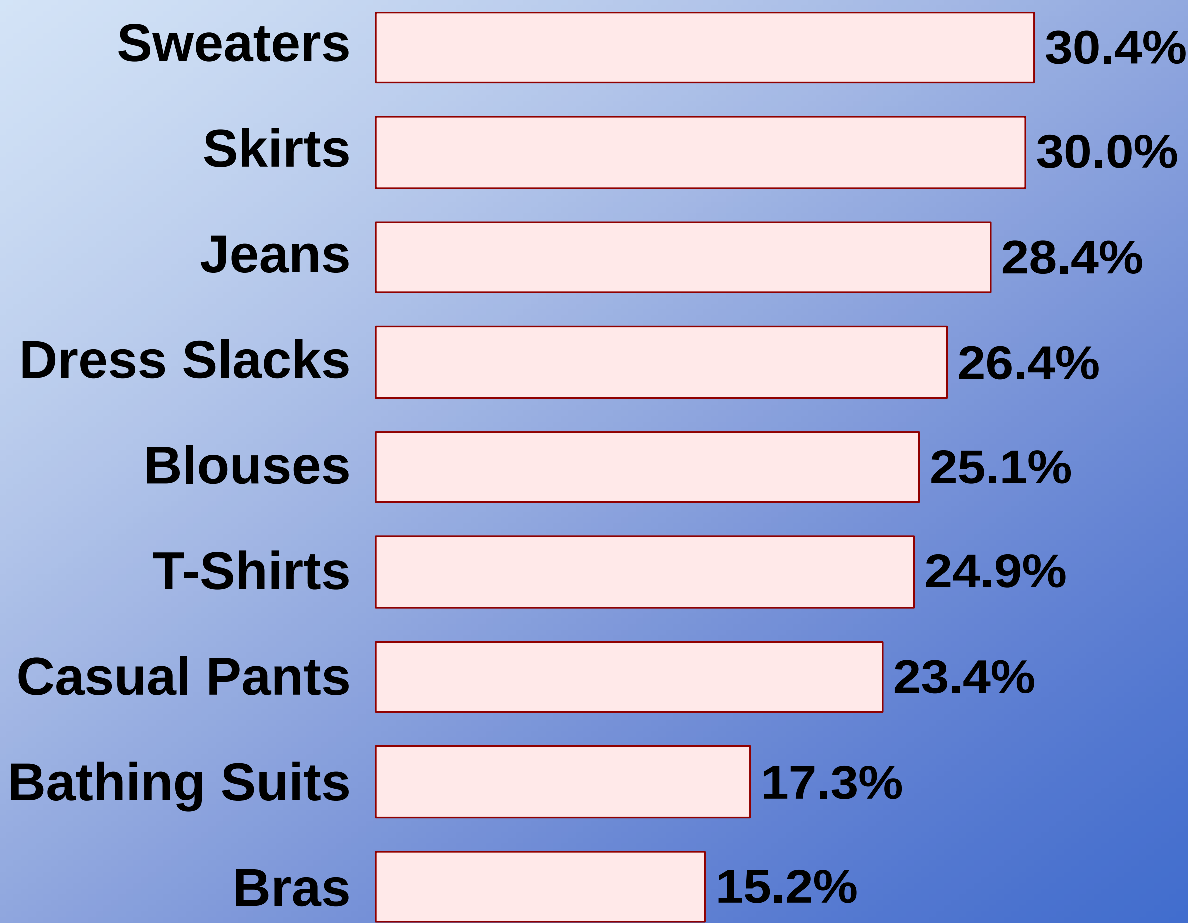
## 2009
## Informal Markets Share

| Merchandise Category | Units | Pesos |
|---|---|---|
| Dress Apparel | 17.4% | 10.3% |
| Pants | 35.8% | 27.6% |
| Shirts/Other Tops | 37.7% | 25.2% |
| Underwear | 34.8% | 24.3% |
| Sports Apparel | 42.8% | 28.6% |
| Socks | 42.8% | 34.8% |
| Outerwear | 37.1% | 25.8% |

# MEXICAN WOMEN’S APPAREL MARKET

## 2009 Pesos

### Informal Markets Share



# CANADIAN and MEXICAN WOMEN’S APPAREL MARKETS

## 2009 RETAIL SALES

**Independent Apparel Retailers Market Share**

# Canadian and Mexican Apparel Retailers

## Department Stores

| Canada | Mexico |
|---|---|
| **Better** | |
| None | Palacio de Hierro<br>Liverpool<br>Sears |
| **Mid Price** | |
| Sears<br>The Bay | Suburbia<br>Coppel<br>Del Sol |

## Better Specialty Chains

| Canada | | Mexico |
|---|---|---|
| Harry Rosen | ⟷ | High Life |
| Holt Renfrew | ⟷ | Saks (1) |
| Stonehouse | | Roberts |
| Laura | | |

# CANADIAN and MEXICAN APPAREL MARKETS

## 2009 Retail Sales

## Largest 10 Retailers

| Mexico | |
|---|---|
| Suburbia | 9.1% |
| Liverpool | 6.0% |
| Coppel | 4.3% |
| Bodega Aurrera | 3.3% |
| Wal-Mart | 3.1% |
| Sears | 2.4% |
| Soriana | 2.3% |
| Zara | 2.2% |
| Comercial Mexicana | 1.3% |
| Palacio de Hierro | 1.2% |

| Canada | |
|---|---|
| Sears (Total) | 10.7% |
| Walmart | 9.6% |
| The Bay | 7.4% |
| Zellers | 4.7% |
| Mark's W.W. | 4.5% |
| Winners | 4.2% |
| Moores | 2.4% |
| Reitman's | 1.7% |
| Costco | 1.7% |
| Old Navy | 1.4% |

# Foreign Retailers in Canada and Mexico

**Mexico**

Gap
Banana Republic
Zara
Mango
American Apparel
Brooks Brothers
Wal-Mart

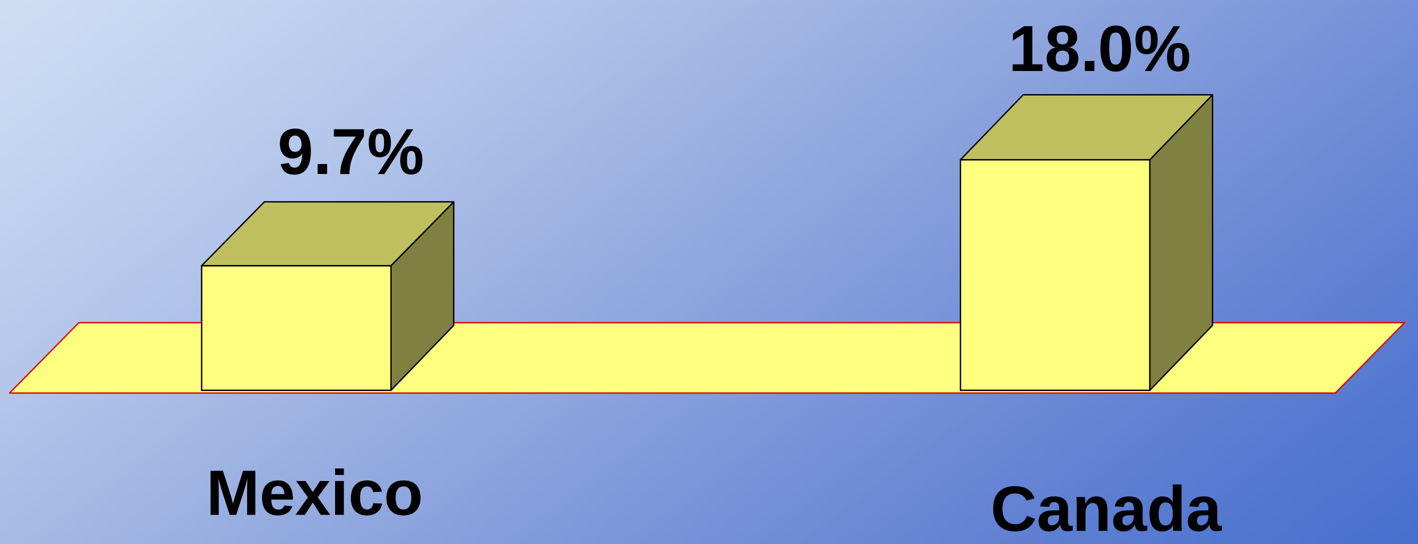
**Canada**

Gap
Banana Republic
Old Navy
Zara
Mango
H & M
Eddie Bauer
Aeropostale
American Apparel
Brooks Brothers
American Eagle
Abercrombie & Fitch
Wal-Mart
TJX
Children’s Place
Gymboree
Motherhood
Talbot's
Bebe
Forever 21
Tommy Bahama
Urban Behavior
Urban Outfitters
Etc.

# CANADIAN and MEXICAN APPAREL MARKETS

## 2009

**Foreign Specialty Stores Retail Share**



# Part B – Brand Shares

## TOTAL MEN'S UNDERWEAR
## 2009 Pesos/Dollars

### Largest Brands

**Mexico**

| | |
|---|---|
| Rinbros | 15.1% |
| Fruit of the Loom | 13.5% |
| Playboy | 12.4% |
| Hanes | 11.0% |
| Calvin Klein | 6.9% |
| Trueno | 3.4% |
| Optima | 1.4% |
| Teycon | 1.4% |

**Canada**

| | |
|---|---|
| Fruit of the Loom | 18.4% |
| Hanes | 11.4% |
| Calvin Klein | 8.1% |
| Joe Boxer | 7.5% |
| Jockey | 6.5% |
| Stanfield | 6.0% |
| Prodige | 2.6% |

# TOTAL MEN'S JEANS

## 2009 Pesos/Dollars

### Largest Brands

**Mexico**

| | |
|---|---|
| Levi Straus | 26.1% |
| Furor | 7.0% |
| Oggi | 6.9% |
| Wrangler | 4.4% |
| Lee | 3.2% |
| Cimarron | 2.3% |
| Diesel | 2.3% |

**Canada**

| | |
|---|---|
| Levi Straus | 12.2% |
| Mark's Work Wearhouse | 9.3% |
| Wrangler | 8.6% |
| Wal-Mart/725 | 5.3% |
| Lee | 4.2% |
| Calvin Klein | 3.0% |
| Lois | 2.4% |
| Point Zero | 2.4% |
| Guess | 2.3% |
| Tommy Hilfiger | 2.2% |

# TOTAL WOMEN'S BRAS

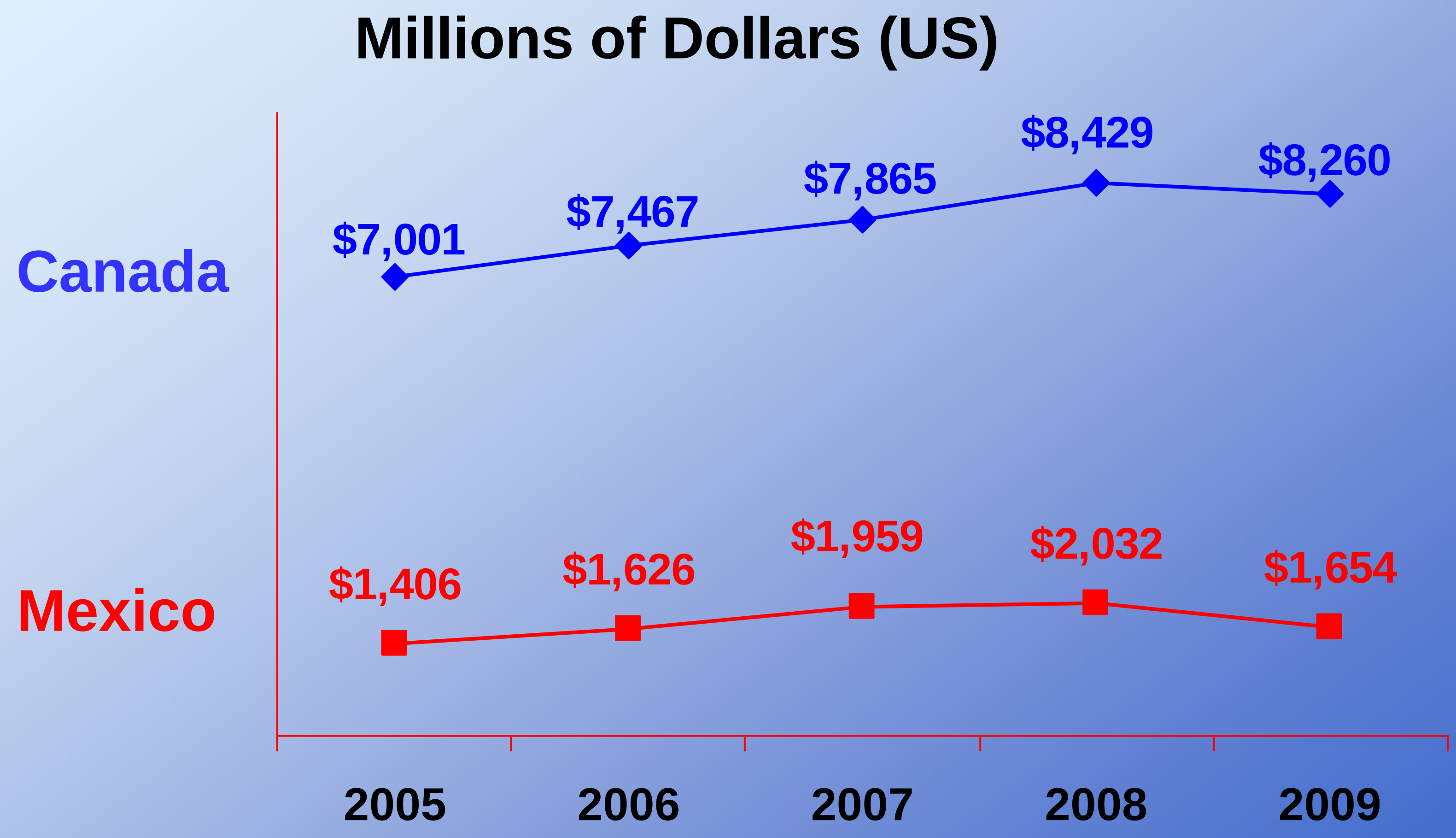
## 2009 Pesos/Dollars

### Largest Brands

| Mexico | |
|---|---|
| Vicky Form | 25.0% |
| Ilusion | 23.7% |
| Playtex | 12.1% |
| Avon | 5.5% |
| Carnival | 3.5% |
| Lovable | 2.9% |
| MIA | 1.4% |

| Canada | |
|---|---|
| Wonder Bra | 20.1% |
| La Senza P.L. | 17.6% |
| Warners | 6.5% |
| Triumph | 3.3% |
| Daisyfresh | 2.0% |
| Fruit of the Loom | 1.9% |
| Calvin Klein | 1.6% |

# CANADIAN and MEXICAN APPAREL IMPORTS



# CANADIAN and MEXICAN APPAREL MARKETS
## 2009 Dollars

## Largest Sources of Apparel Imports

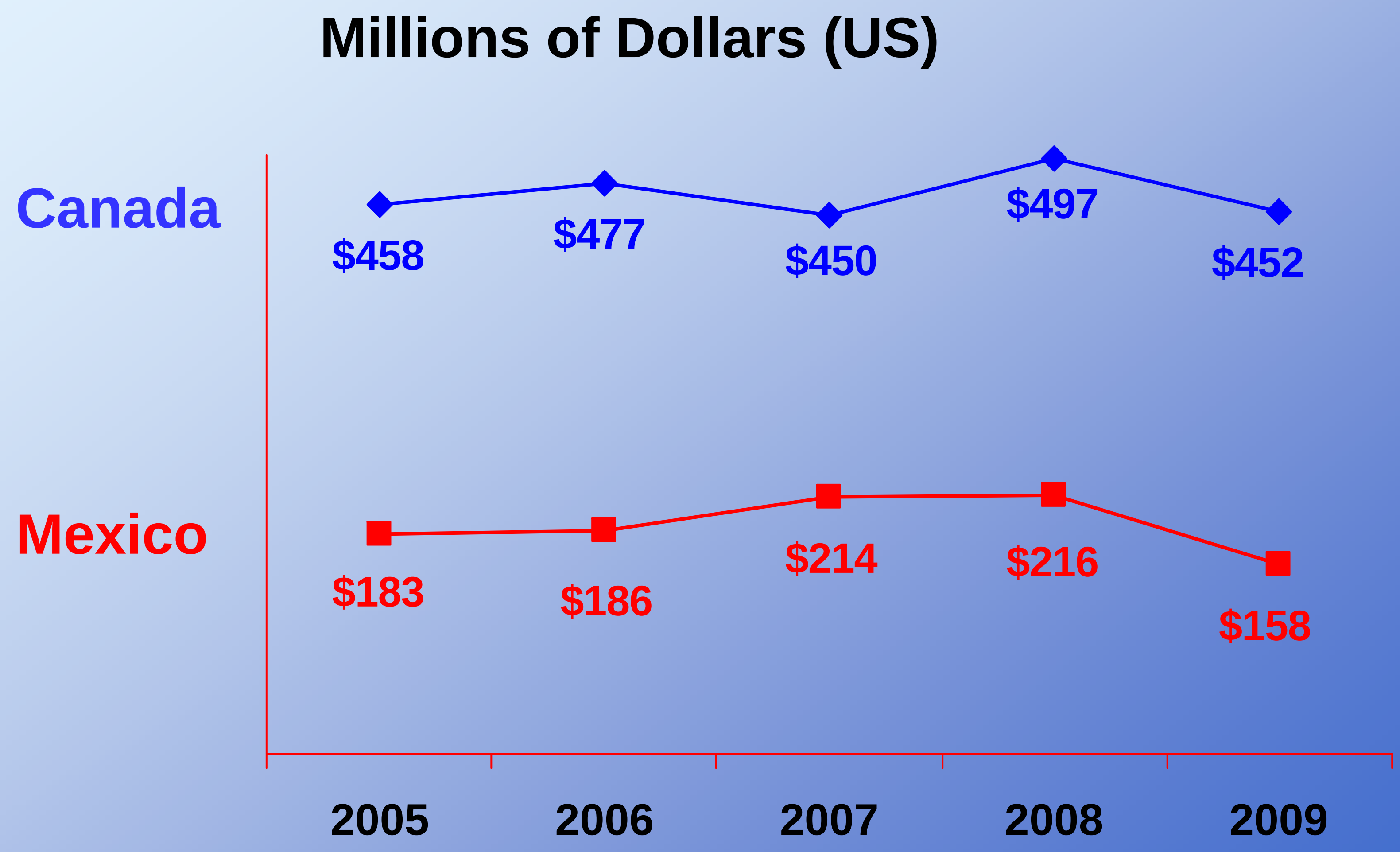
### Mexico

United States
India
Bangladesh
Vietnam
Indonesia
Hong Kong
China
Columbia
Spain
Italy

### Canada

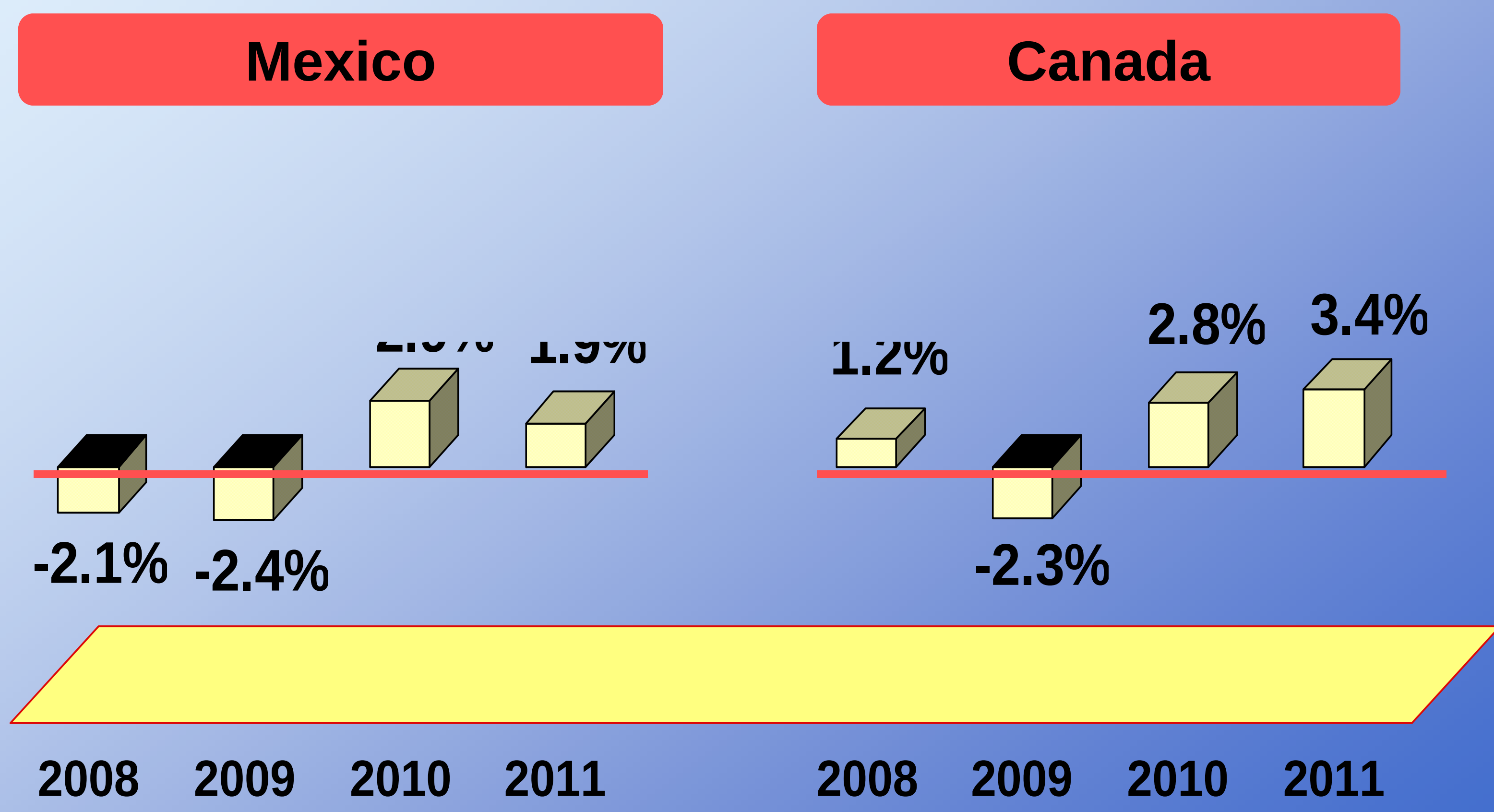
China
Bangladesh
United States
India
Vietnam
Cambodia
Mexico
Indonesia
Italy
Pakistan

# US APPAREL EXPORTS to CANADA and MEXICO



# CANADIAN and MEXICAN APPAREL MARKETS

## Percent Change in Annual Dollar Sales



# Mexico/Canada ~ Supplier Recommendations

- Offer a clearly defined unique selling proposition
- Be prepared to offer exclusivity
- Forget offering private label production
- Be flexible with payment terms

# Mexico/Canada ~ Supplier Recommendations

- Offer a clearly defined unique selling proposition
- Be prepared to offer exclusivity
- Forget offering private label production
- Be flexible with payment terms
- Don’t overestimate the size of the target market
- In Mexico never use sales agents
- In Canada treat Quebec as a secondary market

# Mexico/Canada ~ Supplier Recommendations

- Park any American arrogance at the door
- The attitude that Americans know best will not get you an order
- Be willing to share success stories/learning's as they relate specifically to the prospects channel of distribution

# Mexico/Canada ~ Retailer Recommendations

- **Determine a realistic market potential**
- **Initially open stores in 4-8 key high-profile malls in three to four cities**
- **O˛ enin˘ stores in ˛uebec should be done as part of a phase two expansion**
- **Become a member of the Canadian Apparel Federation**

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