

BLACKS RETAIL REPORT

Luxury Apparel

February 2006

Flash NEWS

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Men's TRENDS

Moderate to
High End

December Trend

1.3%



90-Day Trend

0.7%



Department
90-Day Trends

Moderate to
High End

Clothing
-3.5%



Furnishings
-1.1%



Sportswear
4.7%



THE BIG PICTURE

The U.S. economy sputtered in the fourth-quarter of 2005, as energy and labor costs took their toll. GDP grew by 1.1%, the slowest quarterly growth in three years.

Meanwhile, non-farm productivity fell 0.6% after a 4.5% rise the previous quarter. Despite the lackluster showing, economists predict that growth will pick up again this quarter, in part due to the Fed's recent interest rate increase aimed at spurring economic expansion.

FULL-PRICE FEBRUARY

For luxury apparel retailers February means you've made it through the crucial holiday season, managed the markdown obstacle course and are ready for spring goods to dominate the floor. Your margins should grow throughout the month thanks to the influx of new goods and clearing of winter inventory. Ideally, retailers should end February with only full-priced merchandise on the floor.

MARKET ENTHUSIASM

Word is in from the fall menswear markets in New York and that word is 'excitement.' Merchants are finding a whole lot to like for FA06, including reinvented sport shirts, fancy knits, soft jackets and cashmere.

But be careful not to over-respond to old trends. Here at **Blacks** we are hearing a lot of buzz about soft-construction jackets, for instance. The soft jacket is being hyped like mad, and while the category may continue to do well it won't grow by 30% to 40% as it did in FA05. Be cautious as you place orders in this category. The most forward stores will have been selling this item for three seasons by the time FA06 rolls around.

The soft jacket is being shown at the expense of early season outerwear. There is a dearth of both leather and cloth outerwear this fall.

The new outerwear we are seeing leans toward high-luxury, an example being Brioni's new silk rainwear. While this line is for a select market, it reflects a greater movement toward luxury fabrics.

COUNTING CASHMERE

Cashmere is the powerhouse fabric this fall, and is being shown in every product group, including suits, coats, shirts, pants and of course, sweaters.

Clearly every retailer wants a piece of the cashmere market, but it's important to understand exactly where you fit in. Cashmere sweater prices open at \$230 and climb over \$1,000. It's essential to know whether you should open in the \$200 range or the \$400 range, for instance.

FALL TRENDS

While we are seeing some lighter colored clothing for fall, overall the presentations for men remain dark. Vendors are showing lighter-weight goods, however, which is good for everyone south and west of the Northeast.

Fall pricing seems to have leveled off and some vendors have even priced down by 2% to 3%. This is because the euro has lost strength and vendors have been outsourcing heavily.

The quality of new goods and reasonable pricing has created a lot of excitement in the market despite the fact that retail overall is slightly down.

Shirts continue to move away from stripes and toward patterns such as checks and plaids. We are also seeing a lot more attention to detail, such as special buttons and offsetting threads for seams.

BLACKS Bottom Line

Don't let the market hype pull you into fading trends. Carefully examine your own market to determine trends.

TrendLines Expert Data: Menswear

Clothing	Dec. Sales	90 Day Sales	90 Day Avg. Inventory	90 Day Avg. Markdown
Suits	-20.2%	-14.1%	16%	2.3%
Sport coats	3.3%	-0.5%	13.3%	18.2%
Blazers	20.2%	-1.0%	-2.5%	-0.8%
Dress pants	4.0%	7.2%	18.4%	67%
Custom clothing	51.7%	47.6%	N/A	N/A

Furnishings	Dec. Sales	90 Day Sales	90 Day Avg. Inventory	90 Day Avg. Markdown
Dress shirts	25.7%	5.4%	-10.4%	-23.5%
Neckwear	-14.9%	-6.7%	21.3%	19.3%

Sportswear	Dec. Sales	90 Day Sales	90 Day Avg. Inventory	90 Day Avg. Markdown
Sport shirts	-11.1%	-5.4%	9.3%	-3.1%
Knits	-9.3%	-12.3%	-6.1%	-24.2%
Sweaters	20.7%	15.8%	7.4%	33.2%
Casual pants	-23.1%	-18.1%	-7.5%	-17.3%
Jeans	138.7%	50.6%	51.6%	12.8%
Outerwear	9.4%	0.9%	-1.0%	34.1%

** All numbers represent 2005 year-over-year data*

Blacks Retail Analysis provides professional retail services and information for the luxury apparel and fine jewelry markets. Our industry analysts draw on over 30 years of experience to help clients increase margins, manage change and keep on the cutting edge of market trends. Blacks is fashion forward and retail forward.

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