Consumer Trends in a Multi-Cultural World
Case Study: Los Angeles

1. How Fashion Gets to Retail Markets - and Why

U.S. Retail Marketing Channels Getting the Product to the Consumer

- **Direct Marketing Channel (Vertical Retailing)**
  Manufacturer ____ to ____ Consumer

- **Limited Marketing Channel (Branded & Private Label)**
  Manufacturer ____ to ____ Retailer ____ to Consumer

- **Extended Marketing Channel**
  Manufacturer ____ to Wholesaler ____ to Retailer ____ to Consumer
  ↓
  (Jobber - Distributor)

Growth Patterns - US Apparel 2007

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>Percentage Gain '06 vs. '07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Apparel</td>
<td>190,127,200</td>
<td>195,601,300</td>
<td>+ 3%</td>
</tr>
<tr>
<td>Men's Apparel</td>
<td>54,819,040</td>
<td>57,212,450</td>
<td>+ 4%</td>
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<tr>
<td>Women's Apparel</td>
<td>101,976,200</td>
<td>103,095,100</td>
<td>+ 1%</td>
</tr>
<tr>
<td>Children's Apparel</td>
<td>33,331,990</td>
<td>35,293,760</td>
<td>+ 6%</td>
</tr>
</tbody>
</table>

Consumer Trends are Driving Growth

- **Women's Apparel**
  - 44% growth in dress sales: alternative to jeans
  - 48% growth in hosiery: benefiting from the sale of dresses

- **Men's Apparel**
  - 35% growth Suit Separates: Ties, shirts, etc.
  - 7% growth for Tailored Categories: now 'dressing up'

- **Children's Market**
  - 31% growth in Girls Dresses: to look like 'big sister'
  - 31% growth in Boys clothing: for logos and media characters
2. Marketing of Fashion Apparel

Marketing of Fashion Apparel
◆ National ad campaigns to establish an image.
◆ Catalogue-Direct Mail
◆ Regional sales campaign with in-store promotions.
◆ Product Placement - 'celebrity' sightings are the key for some trend setting categories. "Star Power"
◆ Internet driven promotions

Marketing for the 'Current Realities
◆ Women are buying less expensive items to renew wardrobes more often.
◆ Certain age groups will forgo shopping in stores with sales help in order to get better prices on apparel.
◆ Men are buying more expensive items that last longer, enabling them to spend less time shopping.
* There is less competitive pricing; the apparel consumer is buying based on desire.

3. Los Angeles: Where Trends Happen

Southern California: The Global Content Provider
◆ There are no rules here...and no seasons.
◆ "Hollywood style" dictates U.S. street-scene fashion...not European and New York runways.
◆ Los Angeles is less conservative than anywhere else in the U.S.
◆ The concept of specialty retailing is the growth sector, with opportunities for new lines and creative display.

Los Angeles is #1 or #2 in Major 'Design-Based' Industries (By Employment)

<table>
<thead>
<tr>
<th>Industry</th>
<th>#1</th>
<th>#2</th>
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</thead>
<tbody>
<tr>
<td>Apparel &amp; Textiles</td>
<td>Los Angeles</td>
<td>New York</td>
</tr>
<tr>
<td>Architecture/Engineering</td>
<td>Los Angeles</td>
<td>New York</td>
</tr>
<tr>
<td>Food Manufacturing</td>
<td>Chicago</td>
<td>Los Angeles</td>
</tr>
<tr>
<td>Furniture</td>
<td>Los Angeles</td>
<td>New York</td>
</tr>
<tr>
<td>Health Services &amp; Bio-med</td>
<td>New York</td>
<td>Los Angeles</td>
</tr>
<tr>
<td>Motion Picture/TV Production</td>
<td>Los Angeles</td>
<td>New York</td>
</tr>
<tr>
<td>Technology (including Aerospace)</td>
<td>San Jose</td>
<td>Los Angeles</td>
</tr>
<tr>
<td>Toys</td>
<td>Los Angeles</td>
<td>New York</td>
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</tbody>
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