

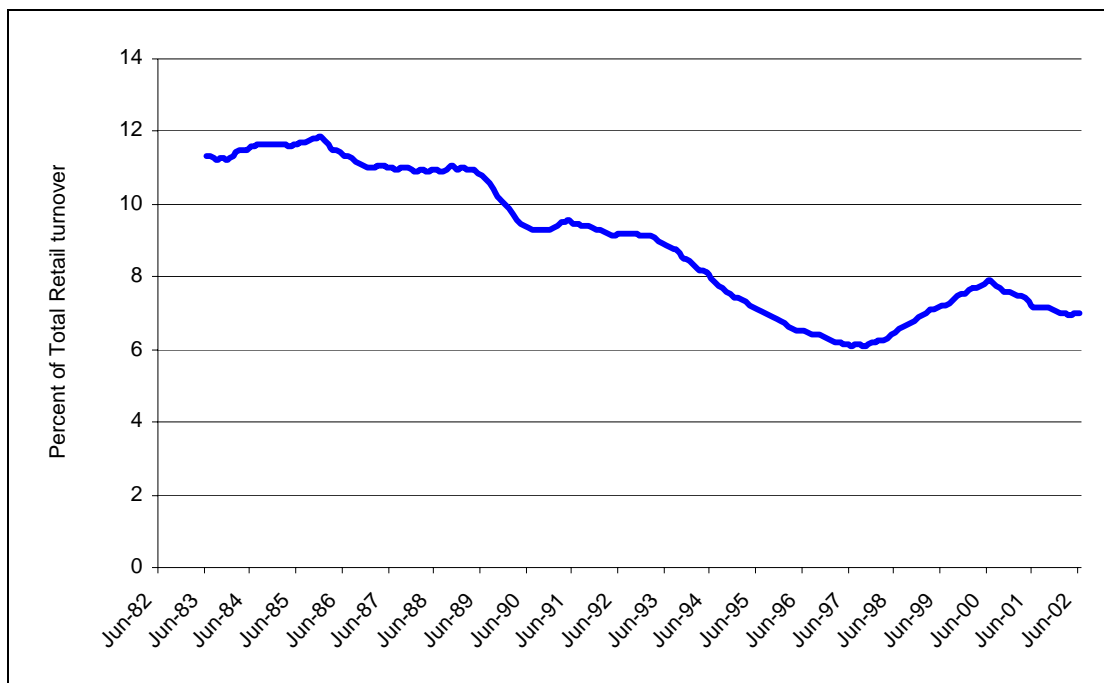
## 9. CLOTHING AND SOFT GOODS RETAILING SECTOR

Clothing and footwear retailing accounts for 8% of total shop frontage within the combined nine centres surveyed in the Study with Church Street having over 20% of its total shop frontage occupied by this sector. Church Street and Hampton Street together account for just over 60% of this sector's total store frontage across all centres. It follows that developments within this retail sector will impact upon the future performance of these centres. Accordingly, this section of the Study provides an overview of emerging trends within this sector.

### 9.1 Industry Performance

The Victorian clothing and soft goods sector has not performed as well as the rest of the retail sector over the period since the mid 1980's, with a declining share of total retail turnover flowing into this sector (refer Figure 20). While turnover levels are susceptible to changing economic conditions, there has been a longer-term downward trend in turnover levels over the period.

**Figure 20: Victoria - Clothing and Soft Goods Retailing: Share of Total Retail Turnover**



Source: ABS, Charter Keck Cramer

### 9.2 Outlet Centres

The clothing and soft goods retailing sector has been the subject of a number of new retailing formats. These have largely been introduced in an effort to address the impact of the relative decline in turnover levels in the industry, and to achieve increased market share at the individual retailer level.

The most significant of these new formats for traditional retail centres is the emergence of specialised factory outlet centres. These centres are based on the disposal of surplus and seconds merchandise at discount prices directly by manufacturers. Given that outlet stores have been typically owned and operated by the manufacturer, substantial discounts are available due to the elimination of the wholesaler and other supply chain costs. Compared with the USA and UK, where it forms a major presence, the outlet sector is comparatively small in Australia. Factory outlets proliferated along Bridge Road and Swan Street, Richmond and Smith Street, Collingwood in Melbourne, in Sydney's Redfern and Stones Corner, Brisbane during the 1980s and 1990s.

Factory outlets will usually include one or more of the following types of goods:

- End of season stock: first quality goods unsold by the manufacturer or retailer at the end of a season and not intended for further production;
- Irregulars: imperfect or damaged goods which have failed the factory's quality inspections;
- Overruns: first quality goods that the manufacturer is unable to sell through normal retail outlets; and
- Store labels: some well-known, upscale and other clothing manufacturers produce less expensive brand lines to sell exclusively through factory outlets.

A further evolution of outlet retailing in light of changing consumer behavior has led to the development of Outlet Centres which are an aggregation of individual outlet stores under one roof. First observed in the US and UK, early examples were characteristically low-cost industrial style buildings utilitarian in design with basic quality fitouts. The first outlet centre in the US was the Vanity Fair Outlet Village, which opened in Reading, Pennsylvania in 1970. Through the 1980s, an over saturation of regional malls and the growth of private labels encouraged the establishment of outlet centres in the US in areas of high tourist trade.

A further transformation of the sector in the US with the entry of more upmarket brands and designer labels and improved centre ambience, design and amenities. The US market is now comprised of more than 300 outlet centres containing in excess of 5 million square metres (sq.m.) of floor space. The representation of major brands is considered a critical driver to customer attraction.

### 9.2.1 The Australian Experience

Outlet centres arrived in Australia with the relaunching of Birkenhead Point, in Sydney's inner west and Richmond Plaza in inner Melbourne in the late 1980s. Maroubra Mall (also in Sydney) followed in the mid 1990s. Since that time a further four centres have been developed, taking the national total to seven, incorporating approximately 146,000 sq.m. of retail floor space. The first three centres were not 'pure' outlet centres, as they were anchored by supermarkets and comprised significant local convenience retailing.

#### ***Direct Factory Outlets (Moorabbin)***

Australia's first and largest dedicated enclosed outlet centre, Direct Factory Outlets, opened at Moorabbin Airport in 1997. Comprising 18,500 sq.m., the centre's tenants include Levi's, David Lawrence, Table Eight, Westco, Colorado, Calvin Klein, Royal Doulton and Mikasa. Following strong trading performance the centre was further extended in 2001.

Following on from the success of the Moorabbin centre, DFO recently opened a centre in Sydney's Homebush, and it is understood to be interested in acquiring a couple of additional sites in Sydney, as well as a site in each of Adelaide and Perth.

#### ***Brand Smart***

In Melbourne, the other major outlet centre is Brand Smart Outlet Mall, located on Nunawading's golden mile for warehouse retailers, the Maroondah Highway. Opened in November 1999, the 7,450 sq.m. centre offers 47 individual factory outlet stores with a particular focus on fashion (Polo Ralph Lauren, Orotan, Calvin Klein, Country Road, Espirit, Atelier, Jigsaw, David Lawrence) and homewares (Matchbox, Adairs, Sheridan, Laura Ashley, Villeroy & Boch, Waterford Wedgwood, Mikasa). Further, two cafés and 415 carspaces complement the retail outlets.

#### ***Outlook***

Perhaps the other ultimate brake on the outlet centre sector is availability of tenants. Retailers such as Colorado use outlet stores to clear slow moving and superseded merchandise, freeing up valuable display space in retail stores for current stock. The availability of "remainder" merchandise effectively poses an upper limit on the number of outlet stores the chain could support. In Victoria outlet stores account for two of Colorado's nineteen stores. Other retailers, such as Table Eight, supplement remainder stock at their outlets with "engineered product" – product designed specifically for outlets from slightly lesser quality inputs.

Another risk is that as supply of outlet centre floorspace grows, brands may be tempted to use outlet centres in preference to more expensive space in traditional retail centres, undermining shopping centre performance and exerting pressure for them to emulate the no frills format. Outlet centres may gradually lose their novelty and point of difference. In the US, brand direct retailing has become so much a part of mainstream retailing that some consumers shop exclusively at such centres. It is likely that there will be an evolution of shopping centres to a hybrid mix of traditional and outlet retailing complemented with entertainment uses, following the Harbour Town model.

### 9.3 Warehouse Retailing

Warehouse retailing has become an increasingly popular retail format with homemaker centres and peripheral sales precincts emerging in locations offering high exposure and access. The type of tenants attracted to this form of retailing range from building suppliers to furniture and homewares retailers. The continued development of bulky goods precincts across metropolitan Melbourne will continue to impact upon many of the centres covered by this Study. This may occur directly through tenants relocating into these precincts or indirectly through the increased level of competition which is created.

The table below presents a listing of typical and potential homemaker centre / wholesale retailers. Those organisations highlighted in **bold** have either recently expanded their retail operations into new centres or have made recent announcements on their intentions to do so over the short to medium term.

### 9.4 Implications

Clothing and footwear retailing within the City of Yarra has concentrated in Bridge Road, Richmond, based upon an abundance of factory outlets, reflecting the historical origins of the textile, clothing and footwear manufacturing in the area. The emergence of outlet centres in Moorabbin and Nunawading represents a more direct form of competition than that encountered from either department stores or other strip retail centres. The ability of Bridge Road to compete with outlet centres will depend upon expanding the number of recognisable brands within its tenancy mix.

Despite the level of direct competition between Bridge Road and outlet centres, the opportunity exists for Bridge Road to be differentiated through promoting the shopping experience in Richmond, which may include incorporating visiting cafes and restaurants. The promotion of key tenants within the centre, provision of store directories, and improving the quality and availability of toilets to a standard comparable to that of managed shopping centres may increase the number of visitors. The availability of carparking in Bridge Road relative to outlet centres will always be a competitive weakness, with any attempt to address parking issues likely to enhance the performance of the centre.

**Table 9: Typical Wholesale & Homemaker Centre Retail Occupants**

<b>Category</b>	<b>Main Retailers</b>	<b>Category</b>	<b>Main Retailers</b>	
<b>Furniture</b>	Freedom	<b>DIY Hardware</b>	Mitre 10 – Mega	
	<b>Oz Design</b>		Bunnings	
	<b>Dare Gallery</b>		Swann Hardware	
	Guests	<b>Factory Outlets</b>	Brandsmart	
	<b>Berkowitz</b>		DFO	
	Easy Living	<b>Automotive</b>	<b>Super Cheap Autos</b>	
	Pinewood Furniture		Marlows	
	Adriatic Furniture		Repco	
	Furniture Galore		Autobarn	
	Early Settler		Burons	
	Fantastic Furniture		K-Mart Tyre & Auto	
	Sydney's Lounges		Goodyear	
	Salzano		Beaurepaires	
<b>Bedding</b>	Capt'n Snooze			Bob Jane
	<b>Forty Winks</b>		<b>Sports / Outdoors</b>	Ray's Tent City
	Sleeping Giant	Drummond Golf		
	Sleepy Sam's		<b>Barbeques Galore</b>	
	Sleep King		Kathmandu	
<b>Floor Coverings</b>	Carpet Call		Rebel Sport	
	Solomons Flooring	<b>Lighting</b>	<b>Beacon Lighting</b>	
<b>Homewares</b>	Adairs	<b>Multi-Sector</b>	Ikea	
	Bed Bath n' Linen		Mega Mart	
	Rugs Galore		Harvey Norman	
	Spotlight	<b>Discounters</b>	<b>The Warehouse</b>	
<b>Electrical</b>	<b>Dick Smith Powerhouse</b>		Reject Shop	
	Retravisision		Go Lo	
	<b>JB Hi Fi</b>		Clint's Crazy Bargains	
	Clive Peeters	<b>Leisure / Recreation</b>	Super TAB	
Good Guys	AMF (ten pin bowling)			
<b>Paint / Decoration</b>	Dulux Trade Centre		Time Zone	
	Bristol	<b>Generic</b>	Indoor Playgrounds	
	Paint Spot		Plumbtec	
<b>Elect. Wholesalers</b>	Middy's	<b>Building Supplies</b>	Reece	
	L & H		Tradelink	
<b>Others</b>	Cash Converters		Tile Mart	
	Babyco		CTM – The Tile Market	