EUROPE’S 25 FASTEST-GROWING APPAREL RETAILERS
Europe’s 25 Fastest-Growing Apparel Retailers

A number of big European apparel retailers are struggling to maintain growth amid heightened competition. Marks & Spencer, Esprit and Benetton are among the names trying to recapture the attention of shoppers who have been spoilt for choice by the growth of e-commerce and fast-expanding chains such as Zara, Primark and TK Maxx.

The woes of the big underperformers are well documented. In this report, we focus on the winners that are gaining share at their expense by identifying the fastest-growing major clothing retailers in Europe.

- Our measure is compound annual growth rate (CAGR) of sales for the five years 2009 through 2014 (or the closest available dates).
- Retailers must have recorded at least €250 million in sales in their latest reported year.

We outline our criteria more fully at the end of this article.

And the Winner Is... Zalando!

Posting average annual growth of nearly 95% from 2010 through 2014, German Internet pure play Zalando comfortably takes first position in our ranking.

How has Zalando achieved this?

- Its midmarket positioning, which is very different from the youth-fashion pitch of ASOS and boohoo.com, has helped it gain scale.
- It has expanded into many European markets (15 at the time of writing) from its German origins.
- It has moved far from its roots as a footwear retailer, with fashion now dominating its site.
- It has benefited from some European store-based clothing retailers’ relatively slow move into e-commerce.

Besides Zalando, there are five other Internet-only retailers in the top 10: Showroomprive.com, Net-a-Porter, ASOS, YOOX and vente-privee.com.

Among the store-based retailers, acquisitions boosted growth at Tom Tailor Group (Bonita, 2012), The Edinburgh Woollen Mill Group (Jane Norman, 2011; Peacocks, 2012) and JD Sports Fashion (Blacks, 2012).
For calculation of CAGR, we have converted H&M revenues from Swedish krone into euros and TK Maxx revenues from US dollars into euros. Otherwise, CAGR is in euros, British pounds or Polish zloty depending on the reporting currency of the company.

(a) 4 years: 2010–2014
(b) 4 years: 2009–2013
(c) Group sales, not just Europe
(d) Based on estimated 2014 sales
(e) Revenue is 2012; CAGR is for 4 years: 2008–2012.

Source: S&P Capital IQ/Company reports/FBIC Global Retail & Technology
Key Take-Aways

- Off-price is thriving: Europe’s shoppers have flocked to buy branded fashion at prices below regular retail, in stores that range from TK Maxx to “bargain basement” Sports Direct.

- Flash sales have flourished: In a similar vein, flash-sales sites such as vente-privee.com and Showroomprive.com have seen revenues surge. Not included in our ranking above, due to scarcity of reliable time-series data, is Spanish-based flash-sales site Privalia, reported to have seen €422 million (US$543 million) in revenues in 2012 (latest data available).

- Online demand for luxury: The performance of YOOX and Net-a-Porter (which recently announced their merger) suggests buoyant demand for high-end fashion on the Internet, despite the fact that some luxury brands are reluctant to offer their full ranges through transactional websites.

- Few online pure plays have scale: While six of the top 10 companies in our ranking are Internet-only retailers, many pure plays are still too small to make the cut. Below, we highlight some smaller ones to keep an eye on.

Pure Plays vs. Stores

Here’s how our list of the 25 fastest-growing European retailers breaks out according to major channel, whether store-based or online-only. Not only are store-based retailers dominant in number among the top 25, they also outrank pure plays by share of total sales, due to the smaller scale of many pure plays. This composition will almost certainly change in future as more Internet-only retailers make the ranking and as the top pure plays grow in scale.

Figure 2. Europe’s 25 Fastest-Growing Major Apparel Retailers: Split by Major Channel

Lower Growth for the Biggest Retailers

Let’s look at how our top 25 rank by total revenues. Unsurprisingly, those retailers that are already market leaders—Inditex and H&M—are tending to turn in lower growth. And while Showroomprive.com, YOOX and Net-a-Porter have turned in strong growth, they still sit near the lower end of our top 25 in terms of total revenues.

It’s worth noting that three budget/off-price retailers have turned in double-digit CAGRs despite their already-substantial scale: Primark, Sports Direct and TK Maxx. These companies have tapped European shoppers’ demand for low prices coupled with fashionability (Primark and TK
Maxx) and big-name brands (TK Maxx and Sports Direct). There looks to be much room for these retailers to expand further in Europe.

### Figure 3. Europe’s 25 Fastest-Growing Major Apparel Retailers: Ranked by Revenue

<table>
<thead>
<tr>
<th>Company (Parent Company, Country)</th>
<th>2014* Revenue (€ Bil.)</th>
<th>2010–2014 CAGR in Revenue (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inditex Europe (Spain)</td>
<td>12.43</td>
<td>6.8</td>
</tr>
<tr>
<td>H&amp;M Europe (Sweden)</td>
<td>11.86</td>
<td>7.3</td>
</tr>
<tr>
<td>Primark (ABF, UK)</td>
<td>6.14</td>
<td>16.4</td>
</tr>
<tr>
<td>Sports Direct (UK) (d)</td>
<td>3.53</td>
<td>14.4</td>
</tr>
<tr>
<td>TK Maxx Europe (The TJX Companies, US)</td>
<td>3.08</td>
<td>13.5</td>
</tr>
<tr>
<td>Zalando (Germany) (a)</td>
<td>2.21</td>
<td>94.7</td>
</tr>
<tr>
<td>Mango (Spain) (c)</td>
<td>2.01</td>
<td>11.9</td>
</tr>
<tr>
<td>JD Sports (UK)</td>
<td>1.89</td>
<td>14.6</td>
</tr>
<tr>
<td>vente-privee.com (France)</td>
<td>1.70</td>
<td>15.0</td>
</tr>
<tr>
<td>Calzedonia (Italy) (b)</td>
<td>1.49</td>
<td>12.7</td>
</tr>
<tr>
<td>New Yorker (Germany) (e)</td>
<td>1.44</td>
<td>6.4</td>
</tr>
<tr>
<td>Groupe Beaumanoir (France)</td>
<td>1.37</td>
<td>9.8</td>
</tr>
<tr>
<td>s.Oliver (Germany) (b)</td>
<td>1.35</td>
<td>10.9</td>
</tr>
<tr>
<td>Kiabi (France) (b)</td>
<td>1.27</td>
<td>6.9</td>
</tr>
<tr>
<td>ASOS (UK) (a)</td>
<td>1.21</td>
<td>30.2</td>
</tr>
<tr>
<td>LPP (Poland)</td>
<td>1.14</td>
<td>18.9</td>
</tr>
<tr>
<td>Takko Fashion (Germany) (b)</td>
<td>0.91</td>
<td>8.0</td>
</tr>
<tr>
<td>The Edinburgh Woollen Mill (UK) (b)</td>
<td>0.68</td>
<td>30.0</td>
</tr>
<tr>
<td>Damartex (France) (b)</td>
<td>0.68</td>
<td>6.9</td>
</tr>
<tr>
<td>Net-a-Porter (Richemont, Switzerland) (b, c)</td>
<td>0.66</td>
<td>36.7</td>
</tr>
<tr>
<td>Tom Tailor Group (Germany)</td>
<td>0.60</td>
<td>51.0</td>
</tr>
<tr>
<td>Teddy (Italy) (b)</td>
<td>0.45</td>
<td>9.4</td>
</tr>
<tr>
<td>YOOX (Italy)</td>
<td>0.38</td>
<td>25.2</td>
</tr>
<tr>
<td>Showroomprive.com (France) (b)</td>
<td>0.35</td>
<td>47.0</td>
</tr>
<tr>
<td>Sfera (El Corte Inglés, Spain) (b)</td>
<td>0.26</td>
<td>8.6</td>
</tr>
</tbody>
</table>

*2014 unless indicated otherwise
(a) CAGR is for 4 years: 2010–2014.
(b) Revenue is 2013; CAGR is for 4 years: 2009–2013.
(c) Group sales, not just Europe
(d) Revenue and CAGR based on estimated 2014 sales.
(e) Revenue is 2012; CAGR is for 4 years: 2008–2012.

Source: S&P Capital IQ/Company reports/FBIC Global Retail & Technology
Smaller Ones to Watch

We’ve picked out a handful of smaller, high-growth fashion retailers that are worth watching; each represents a different pocket of opportunity within the fashion market.

Multibrand luxury: US department store Neiman Marcus acquired German luxury pure play mytheresa.com in October 2014, and may invest heavily in it in order to build scale. In 2013 (latest available data), mytheresa.com’s revenues were €66 million (US$88 million). The recent merger of YOOX and Net-a-Porter, coupled with the slow progress some luxury brands have made toward selling online, suggests opportunities for multibrand luxury pure plays. Other names to watch in this field include Germany’s Stylebop.com.

Budget fashion online: British fashion retailer boohoo.com remains small compared with the likes of ASOS, posting 2014 revenues of just £140 million (US$228 million). It’s growing strongly, however, and 2014 sales were up 27%, although its CAGR (charted below) trails well behind that of Zalando (see earlier). Its offering is entirely private-label and very low-price, suggesting it could see some of the success achieved by Primark - but on the Internet, where Primark does not sell.

Footwear to fashion: French pure play Spartoo began as a footwear retailer, but like Zalando, it has expanded into fashion. This expansion should help it gain scale and possibly pull ahead of Sarenza, a rival French footwear pure play. Spartoo’s revenues were reported to be €130 million (US$173 million) in 2013, compared with Sarenza’s €150 million (US$199 million).

Off-price opportunities: SECRETSALES.com is a small, UK flash-sales website. In 2014, its revenues were just £25 million (US$41 million), but given the success elsewhere of sites such as vent-privee.com and Showroomprive.com, there looks to be room for SECRETSALES to grow.

Figure 4. Selected Fast-Growing European Apparel Retailers: CAGR in Revenue

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Country</th>
<th>CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>mytheresa.com</td>
<td>Germany (2010-13)</td>
<td>57.2</td>
</tr>
<tr>
<td>boohoo.com</td>
<td>UK (2010-14)</td>
<td>54.6</td>
</tr>
<tr>
<td>Spartoo</td>
<td>France (2009-13)</td>
<td>50.4</td>
</tr>
<tr>
<td>SECRETSALES.COM</td>
<td>UK (2011-14)</td>
<td>41.8</td>
</tr>
</tbody>
</table>

Source: S&P Capital IQ/Company reports/FBIC Global Retail & Technology
A Note on Criteria

This ranking is about identifying the outperformers in fashion retail—high-growth retailers that also have scale. It’s not about identifying small Internet startups or boutiques that have grown fast. So, to filter out a long tail of high-growth but small-scale retailers, we set a minimum threshold for inclusion of €250 million in revenues in the latest available year of financial data.

Revenues are European revenues for major international retailers, or total revenues for European-based retailers for whom no regional split is available (such as Mango and Net-a-Porter).

The retailer must have a clothing-dominant sales/product mix. So, flash-sales sites, for instance, are included only if they have a strong focus on apparel. Footwear-only retailers are excluded. We included sports retailers that are focused on apparel. Luxury brands that mix wholesale and retail were excluded.

There must be reasonably robust time-series revenue data available from sources such as S&P Capital IQ, company reports or press reports.

We’ve ranked the retailers by CAGR (average annual growth) in revenues for 2009 through 2014, or the closest available years.

Europe excludes Russia and Turkey.
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