

TAKING ON

teens



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From Boppers to Shoppers

Teens represent a lucrative – if hard-to-categorize – retail market

BY SUSAN REDA, EXECUTIVE EDITOR

Teens love to create mashups. They cobble together text, graphics, audio, video and animation from various pre-existing sources to create digital media files that are uniquely their own.

Merchants that cater to teen shoppers are very familiar with the mashup concept – even if they're not particularly adept at digital media. They're constantly trying to piece together the assortments, looks and methods of delivery they believe will resonate with this demographic.

Taking on teens is a tough assignment. One minute they're buying a stack of T-shirts at Hollister. Then, it's on to American Eagle Outfitters for a "must-have" hoodie. Before they leave the mall they might duck into Claire's for some bracelets or GameStop to check out the latest Wii game. Later on, they bum a ride with Mom to Wal-Mart to pick up some cosmetics, and then go online that night to Threadless.com to create a custom T-shirt.

The STORES list of Top Teen Retailers highlights 15 specialty apparel companies whose brands are synonymous with today's youth. Abercrombie & Fitch and American Eagle Outfitters rank at the very top of the list, closely followed by Express, Aéropostale, Urban Outfitters and Pacific Sunwear. Each has carved its niche in traditional shopping malls, winning teens' affection with the latest jeans, T-shirts, hoodies, baby doll shirts and boxers.

With 2007 sales of nearly \$4 billion, Abercrombie & Fitch is the pace-setter among teen apparel specialists. The company begins nurturing teen shoppers with abercrombie — its kids' division — then gives them a choice of Hollister or A&F for the middle and high school years and on into college.

And, although there are fewer than two dozen RUEHL units, this concept – aimed at shoppers who have just graduated college and are heading out on their own – appears to be gaining traction. Earlier this year, A&F introduced Gilly Hicks, an intimate shop, hoping to extend the retailer's Midas touch to an up-and-coming category.

At American Eagle Outfitters, where sales eclipsed the \$3 billion mark in 2007, connecting with teens is a media-driven proposition. Last year AEO launched 77E, a multi-channel entertainment platform featuring original and user-generated content. The content was made available



on ae.com, in stores and on television and, given the viral nature of content, it spread to sites including YouTube, MySpace and Facebook.

Like A&F, AEO is honing a strategy that will extend the brand to both older and younger demographics. Martin + Osa, which debuted in September 2006, skews to the 25-to-35 demographic. In the fall, AEO will step into the kids business with an online shop called 77kids by american eagle.

Express, a one-time Limited Brands division, is enjoying resurgence under the tutelage of Michael Weiss and the backing of Golden Gate capital. Aéropostale is winning over the masses with its fashion-at-a-price strategy combined with emphasis on events that sync up with teens' concerns.

Urban Outfitters is a bit of an enigma in the teen space. The brand targets the 18- to 30-year-old shopper, yet seems to connect with a younger shopper, too. Even Urban's other divisions, Anthropologie and Free People (both of which are targeted to an older consumer), seem to resonate with teens, particularly if Mom is willing to foot the bill.

PacSun is on the comeback trail. Led by retail veteran Sally Frame Kasaks, the chain is reconnecting with customers — particularly girls, who had strayed in recent years.

Eclectic expression

Part of the difficulty in trying to analyze teen consumers is their eclectic shopping patterns. On one hand, they're locked into shopping where Mom and Dad shop; on the other, they often seek out different items based on their sense of style and their desire to





Hot Topic



Charlotte Russe



American Eagle Outfitters



David Henning



Zumiez



Urban Outfitters



Aéropostale

As one of the world's leading providers of advanced software and services for apparel and specialty merchandisers, Epicor is very proud to sponsor this special STORES supplement on top teen retailers. We are equally proud to count many of the companies STORES has selected for this honor among our valued clients, and are pleased to support their success.

While all types of retailing are competitive, effectively engaging teens and cultivating their loyalty is particularly demanding. Few other demographic groups are as conscious of trends or as concerned with cultivating and expressing a distinctive personal style. Teen-oriented retailers must therefore be sharply attuned to their tastes, highly innovative and responsive to change. They must be able to acquire the right products quickly, manage inventories efficiently, deliver outstanding service and strongly define their brand.

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I believe the future for teen-oriented retailers looks very bright, and Epicor Retail looks forward to helping more of them thrive and grow within this most exciting market space. Toward this end, we will ensure our offering remains closely aligned both with what's now and what's next. For more information, please visit us at retail.epicor.com.

Sincerely,
 David Henning
 Executive Vice President
 and General Manager
 Epicor Retail

either fit in or express their individuality. While retailers such as Steve & Barry's, Old Navy, American Apparel, H&M and Zara are not included on the chart (in part, because their businesses do not target teens exclusively), each attracts teen shoppers and derives a percentage of revenue from them — or their parents.

Then there's the online channel. While retailers recognize that traditional stores remain the venue where the lion's share of teens' transactions occur, they acknowledge that a lot of shopping journeys start online. The challenge for retailers is to be sure that their websites reflect the brand personality and store identity and strengthens their connection with teen customers.

Now, as if an ever-changing shopper base with constantly evolving expectations were not enough, teen specialty retailers find themselves under the same economic stress as their department store, mass-merchant and big-box brethren. With rising gas and food prices grabbing a bigger share of the household budget, ripple effects are being felt throughout the family.

In April, Piper Jaffray published the results of a national study conducted by senior research analyst Jeff Klinefelter and a collaborative team of research analysts. The study found that total teen spending on fashion declined nearly 20 percent on a year-to-year basis, and overall spending was down 15 percent for young men and 11 percent for juniors (young women).

Transition phase

The findings indicate that the fashion category represents 41 percent of the total teen budget and, while teenagers continue to spend a significant amount of money, this budget allocation is low compared with past years. "We're currently in the 'transition phase' of the fashion cycle and believe that we have not yet hit bottom," Klinefelter says. "The current economic challenges are impacting consumers at all income levels and ages, indicated by the historic low level of average planned spending in the fashion category this spring."

And retailers that cater to teens need to be wary of some demographic shifts on the horizon. In most instances teens are defined as those ages 12 to 19; according to the U.S. Census Bureau, 33.5 million young people fall under this heading, but their numbers are expected to decline 3.3 percent by 2010.

By comparison, the number of Americans ages 25 to 34 is expected to rise 5.2 percent over the same period. Meanwhile, on the opposite end of the spectrum, the Census Bureau is reporting some four million births per year. These

figures show why retailers are salivating over both the 30-year-old demographic and the pint-sized set.

Purchasing insight

Though Piper Jaffray's 15th semi-annual teen spending survey yielded some sobering data, it also provided valuable insights into purchasing behavior and brand preference across multiple categories.

Nearly 700 students from 11 U.S. cities were surveyed through mall field trips, classroom visits and online questionnaires. Piper Jaffray also captured an additional 4,500 online survey responses through the national DECA organization, which partnered with the retail research team for the seventh time. Among the key findings:

Hollister remains the No. 1 preferred brand by teens, as ranked by mindshare, followed by Pacific Sunwear, Volcom, Quicksilver, Zumiez, American Eagle, Abercrombie & Fitch and Forever 21.

There's been an increase in spending from fall 2007 among teen girls in the beauty category. In addition, privately-held, Swedish-based IKEA was the top choice among teens (followed by Pottery Barn/PB Teen) in the home furnishings or cataloger category.

Electronics represented 7 percent of total budget (10 percent for young men, 4 percent for juniors), up from 6 percent last year. Spending by young men in the video game system category rose to 13 percent from 9 percent last fall.

In the digital media category, 86 percent of students with MP3 players own some form of an iPod. Although iTunes continues to dominate the music download market (81 percent), 61 percent of the students surveyed indicated they download music illegally. In addition, 6 percent of students own an iPhone — and 9 percent expect to buy one in the next six months.

Though Starbucks continued to be the clear brand leader across the board in both the school and online surveys, premium coffee is potentially a growing category among teens: Dunkin' Donuts appeared in the top 10 brands for the first time in the school survey.

Chipotle continues to gain teen market share, ranking among the top 10 brands in the online survey for the first time. In total, approximately 45 percent of students said they spent more money at restaurants in the past year than in the previous year.

Online awareness

Mandy Putnam, vice president of TNS Retail Forward, a global management consulting and market research firm, has studied teens' relationship with online



Hollister

Teen Retailer Company Comment	Headquarters	2007 revenue (million)	Y/Y Change	No. of Stores
Abercrombie & Fitch	New Albany, Ohio	\$3,749.85	13%	1,028
<i>A&F is the big kahuna on the teen apparel scene. The company attracts shoppers to the franchise with abercrombie (also known as little "a"), which targets the pint-sized set. A few birthdays later, A&F and Hollister vie for teens' discretionary income. Hollister emerges as a top brand among teens, and company execs say the chain has the global potential to reach 1,200 units. When teens are ready to graduate, it's on to RUEHL. Earlier this year, A&F opened its newest concept shop, Gilly Hicks, a lingerie store with a racy edge. International growth is a top priority.</i>				
American Eagle Outfitters	Pittsburgh	3,055.15	9.03	942
<i>Standards like jeans and graphic tees rule the roost at AEO. The company's laid-back, trend-right looks are popular with the high school crowd. The dorm wear collection, called aerie, has been spun off; there are now more than 40 aerie shops selling bras, undies, camisoles and the like. Looking to hold on to shoppers even when they get a little older, AEO introduced Martin & Osa. This fall a children's apparel brand, 77kids by american eagle, will debut online, with bricks-and-mortar stores planned for 2010. And shoppers are tuning in to 77E, a multi-channel entertainment platform featuring original and user-generated content.</i>				
Express	Columbus, Ohio	*1,820	N/A	620
<i>Private-equity firm Golden Gate Capital acquired a 75 percent stake in Express a little over a year ago. The first order of business was to bring back Michael Weiss as CEO. Weiss, who led Express from its founding in 1980 to his retirement in 2004, has infused the company with new energy and momentum. With young, sexy looks for women and men, Express caters to teens and twenty-somethings. In April, the retailer released a limited collection by Celia Birtwell for the fairer sex. Now private, the company no longer publishes annual sales.</i>				
Aéropostale	New York	1,590.88	17.30	828
<i>Active and casual apparel for guys and gals are on tap here at prices that make it easy for teens and their parents to agree. Aéropostale is making a name for itself through entertainment- and issue-related projects. In March, Aéro partnered with ABC Family to celebrate the release of "GREEK: Season One." Last year, it sold the new Fall Out Boy album with a store-exclusive T-shirt. During another promotion, Teens for Jeans, store associates collected lightly used jeans and donated them to local charities. This year marks the rollout of a new concept targeting a younger demographic.</i>				
Urban Outfitters	Philadelphia	1,507.72	23	245
<i>Urban Outfitters' execs say they're targeting shoppers moving out of their teens, but inside the stores it's still easy to spy plenty of younger shoppers. The same can be said of Anthropologie and Free People, the company's other clothing brands. T-shirts are not two for \$20 here, but if teens are shopping with Mom's credit card it doesn't matter. The look ranges from vintage and retro to bohemian, and Urban sells apparel and home goods for both sexes. Humorous slogans on T-shirts and kitschy items have landed them in some hot water, but the company remains a top performer.</i>				
Pacific Sunwear of California	Anaheim, Calif.	1,454.16	0.80	944
<i>Surf's up at PacSun and the sun is peeking through the clouds. Since retail veteran Sally Frame Kasaks took the helm in May 2007, the company has begun to rebound. Kasaks' aggressive turnaround plan included closing the One Thousand Steps shoe stores and liquidating 153 demo stores. Reconnecting with the surf-and-skate crowd and refocusing attention on the female side of the customer base are a big part of the blueprint; stores are offering a wider selection of apparel geared to girls while being careful not to overtake the guys. The plan appears to be steering PacSun out of once-choppy waters.</i>				
Forever 21	Los Angeles	*1,110	N/A	400
<i>Forever 21 is the choice of trend-savvy teens. The West Coast-based chain has carved its niche as the source for up-to-the-minute interpretations of apparel and accessories worn by celebrities and runway models; prices that make teens downright giddy help to cement the sale. The private company operates a global business with stores in Singapore, Malaysia, Jordan and the United Arab Emirates. Forever XX1 (the nameplate used for large flagship stores), For Love 21 (an accessories shop), Heritage 1981 (men's and women's vintage apparel) and Twelve by Twelve (a fledgling, edgy fashion apparel shop) round out the stable of brands.</i>				
Charlotte Russe **	San Diego	740.94	8.70	432
<i>Delightful and delicious – two words to describe both the dessert and the store. Charlotte Russe targets teens and women in their 20s with "fashion-right" assortments of value-priced apparel, accessories and footwear. Operating in 6,500 to 7,000 sq. ft., Charlotte Russe uses its larger-than-average footprint to offer a broader assortment of merchandise than its competitors. Chairman Bernard Zeichner was scheduled to retire June 1, with director Jennifer Salopek named to succeed him.</i>				

Estimates include multiple divisions. * STORES estimate. **Fiscal ends September 29

EPICOR TOP teen specialty apparel RETAILERS

Teen Retailer Company Comment	Headquarters	2007 revenue (million)	Y/Y Change	No. of Stores
The Buckle	Kearney, Neb.	\$620	16.90%	368
<p><i>With a mix of quality, on-trend apparel, accessories and footwear, Buckle caters to fashion-conscious young men and women. The store's reputation as a denim destination is long-standing; stores carry a wide selection of fits, styles, and finishes from leading brands and the retailer's own BKE label. About two-thirds of merchandise is branded and the rest is private — a strategy that helps the company mitigate the risks inherent in appealing to a fickle customer base. Personalized attention, including free alterations, is emphasized. The Buckle is planning to appeal to children ages 8 to 15 with apparel that can be purchased only online.</i></p>				
The Wet Seal	Foothill Ranch, Calif.	611.16	8.30	494
<p><i>Change has been the operative word at Wet Seal for some time but there is a growing sense that the metamorphosis is nearly complete. The California-based retailer, a fixture on the teen scene for decades, keeps it fresh with moderately-priced apparel and accessories that blend pop culture with vintage chic. Two big announcements kicked off 2008. The retailer created a "fashion community" on its website, offering customers an enhanced shopping experience through a social networking platform using web 2.0 technology. In mid-April, Wet Seal launched a collection of tops designed by multi-platinum recording artist Ashlee Simpson in conjunction with the release of her third CD, "Bittersweet World."</i></p>				
Hot Topic	City of Industry, Calif.	590.50	-6.20	690
<p><i>Teens who are passionate about rock music, pop culture and music-inspired fashion instantly feel a sense of belonging at Hot Topic. Targeting young men and women between the ages of 12 and 22, Hot Topic merchandise consists of about half licensed items and half that are music and pop culture-influenced. In-store "listening parties" for bands such as Avenged Sevenfold, Underoath and Paramore have been held at the stores prior to new releases. Hot Topic is also known for backing concert festivals like Ozzfest and Sounds of the Underground. As of April, it became the first chain to carry TWLOHA (To Write Love on Her Arms) merchandise.</i></p>				
Zumiez	Everett, Wash.	381	27.90	285
<p><i>Action sports-related apparel, footwear, equipment and accessories dominate the mix at Zumiez. Stores cater to young men and women between ages 12 and 24, focusing on skateboarding, surfing, snowboarding, motocross and BMX. Execs market the brand as an alternative to what everyone else is wearing. Zumiez more closely resembles a skate shop than a clothing store. The retailer posted record sales and earnings results for both Q4 and fiscal 2007 and opened 50 new stores in the last 12 months. Zumiez sponsors the Couch Tour, a mix of live performances and skateboarding demos; 2008 headliners include Alkaline Trio and Scary Kids Scaring Kids.</i></p>				
Deb Shops	Philadelphia	*319.50	N/A	345
<p><i>Deb Shops is the oldest teen in the bunch. Founded in 1932, the chain has endured more fashion fads than anyone can count. Targeting fashion-conscious juniors, teens and plus-size misses, Deb Shops sells moderately-priced apparel, lingerie and shoes. This year looks to be the beginning of a new era for the company. In April, Deb Shops hired Diane M. Paccione as CEO. A seasoned retail merchandising veteran, Paccione also joined the board of directors, led by chairman Allen Questrom, a senior adviser to New York-based Lee Equity Partners, which paid \$395 million for Deb Shops last year.</i></p>				
Delia's	New York	274	6.50	86
<p><i>Delia's is a direct marketing and retail company comprised of three lifestyle brands targeting consumers between the ages of 12 and 19. Its brands include Delia's, Alloy and CCS; the latter two generate revenue by selling apparel, accessories, footwear, room furnishings and action sports equipment through catalogs and websites. Delia's operates mostly mall-based stores and is popular for its logoed tees, which feature a wide variety of quirky screen prints, vintage band names and catch-phrases. New leadership is expected to renew momentum: Michele Donnan Martin, who has logged time at A&F, J.Crew, Macy's and AEO's Martin & Osa, recently joined as president.</i></p>				
Torrid	City of Industry, Calif.	137.60	12.60	151
<p><i>Torrid sets the pace for fashion among plus-size girls and young women, ages 15 to 29. The focus is on providing this under-served customer with style, quality and personalized service. Considered one of the fastest-growing mall-based specialty retailers, Torrid sells accessories, shoes, jewelry, novelty T-shirts, fashion tops, pants, dresses, outerwear, intimate apparel and more. Merchants take their cues from fashion icons, runway trends, music influences and pop culture. Torrid uses professional and amateur plus-size models in its advertising. Among the best known: 2007 "American Idol" winner Jordin Sparks and "Hairspray" star Nikki Blonsky.</i></p>				

Estimates include multiple divisions. * STORES estimate. **Fiscal ends September 29



shopping. She maintains that, while young people prefer the “sensory stimulation that accompanies shopping with friends at stores,” pre-shopping online is training teens to be smart shoppers and to stretch their dollars.

“Teens are proving to be very savvy online shoppers who compare and contrast and click endlessly in search of the item they want at a price they’re willing to pay – or that they think

Mom will go along with,” Putnam says. “Buying online compared with buying in stores is relatively infrequent; however, pre-shopping and browsing online occur at least as often as store shopping trips.”

Putnam insists that the key to engaging teens online is to load up a website with rich media that stimulates the sens-

es. Among the sites rating big thumbs up from teens are AEO with its “radio;” A&F, which uses a flat merchandise presentation and promotes cross-selling; and Express, with its virtual changing room that supports mixing and matching tops with bottoms.

Two of the lesser-known sites that receive kudos from teens are Threadless.com and Karmaloop.com. Threadless.com users are invited to be T-shirt designers and/or to “score” the designs that should be produced. Designers, not models, are photographed wearing their winning entries, which seems to resonate with young people. Karmaloop.com is generally considered an edgier site; teens are drawn to its high level of visual impact.

Marketing strategies

Anastasia Goodstein, publisher of Ypulse, a *Forbes* magazine “Best of the Web” blog and author of “Totally Wired: What Teens and Tweens Are Really Doing Online,” says that attracting teens requires a keen understanding of how they use social media, social networking sites, virtual worlds and podcasts.

In an article that appeared in the May issue of *School Library Journal*, Goodstein offered 10 things that marketers
continued on page T11

Gas Prices SIPHONING OFF SALES?

Teens are intrinsically linked to driving. Though the age at which they can get behind the wheel varies by state, teens can’t wait to borrow the keys to the family car and head out on the road.

Yet with gas prices flirting with \$4 per gallon in many parts of the country, there’s a good chance that parents won’t be so quick to sanction trips to the mall to “hang out.”

In April, Worthington, Ohio-based BIGresearch surveyed adults who have 13- to 17-year-olds living in the household to determine whether gas prices were impacting spending. The research, part of the Consumer Intentions and Actions (CIA) survey, compared shoppers’ attitudes and behaviors today with what they were saying and feeling a year ago.

The findings suggest that a clear majority (86 percent) believe their spending has taken a hit as a result of gas price hikes, up 9 percentage points since April 2007. In all, 55 percent say they will be “driving less.”

How have fluctuating gas prices impacted your spending?

(Asked of adults with 13- to 17-year-olds in the household.)

	April '07	April '08
Delayed major purchase (car, TV, furniture)	27%	35%
Reduced dining out	38	53
Decreased vacation/travel	38	48
Increased carpooling	9	8
I will be driving less	42	55
Spending less on groceries	19	32
Spending less on clothing	27	45
Other	7	6
No major impact	23	14

Source: BIGresearch CIA, April 2007/April 2008

Drilling down into the specifics is even more painful, particularly for retailers and restaurateurs. Forty-five percent say they’re spending less on clothing – up 18 percentage points from April 2007; 53 percent say they’ve reduced dining out (15 points higher than a year ago).

If adults who share their homes with teens are driving less, spending less on clothing and groceries and cutting back on eating out, it’s fair to assume that a trickle-down effect will be felt by teens — particularly those on the younger end of the age spectrum, who are most reliant on

their parents’ purse and proclivity for running a “taxi” service.

The lesson most teens are likely to take away from the nation’s gassed-up fuel prices may be all about mileage – and not just as it relates to cars. Look for teens to start assessing purchases according to how much wear they’re going to get out of apparel items and electronics.

WHERE DO TEENS SHOP?



The year was 1982. Michael J. Fox had just stepped into the role of Alex P. Keaton, and “Fast Times at Ridgmont High” provided an eye-opening look at high school life.

Determined to help retailers and marketers keep tabs on the emerging teen scene was a new company called Teenage Research Unlimited (TRU). The company’s vision back then — to provide an unparalleled expertise in the youth market — remains a guiding principle today.

Last year, TRU was acquired by Research International, the world’s largest customer research firm. Now, with a new “parent” backing its efforts, TRU expects to fine-tune its focus on this market shortly with the addition of global research.

In March, TRU polled 1,800 12- to 19-year-olds to learn which stores they had shopped at most over the past 12 months and which brands they considered to be their favorites. The findings are telling in some ways: For example, how many would have guessed that Old Navy was the “most shopped” chain store? Then again, years of researching teens have taught those in the know to expect the unexpected.

DEPARTMENT STORES

JCPenney is the leader of the pack among department stores. With a recently overhauled merchandising strategy that includes an infusion of new brands and a redesign of the “juniors” space, executives are hoping kids will see Penney as hip. TV reality star and former model Kimora Lee Simmons will introduce an exclusive apparel line called Fabulosity in July; a private brand, Decree, will debut for back to school.

Kohl’s hopes to build credibility with young fashionistas with the launch of Abbey Dawn, an exclusive brand that stems from a partnership with Avril Lavigne. Macy’s appears to be winning with a strategy heavily oriented toward well-known brands. In juniors they’re serving up Guess?, Rocawear and XOXO; in young men’s the offering includes 7 for all Mankind, Tommy Hilfiger and Ecco.

Still, it seems that department stores are a destination that teens go to because of their parents’ influence – and credit card. While these three represent the most-shopped department stores,

the channel still trails specialty retailers when it comes to winning teens’ affections. It’s fairly common for teens to reject what their parents favor and seek out places to call their own.

Most-shopped department stores

JCPenney	44%
Kohl’s	35
Macy’s	34

Source: TRU

MASS MERCHANDISERS

Wal-Mart holds a commanding lead with teens among mass merchandisers. Part of this is the result of sheer ubiquity: With more than 7,000 stores, Wal-Mart is the go-to retailer in many areas of the country, especially in instances where the nearest mall is not so near. Target has about 1,800 stores; Kmart’s store count is near 1,400.

Wal-Mart and Target rely on value and trend styling to lure

teens and lean heavily on exclusive brands. At Target, items from Mossimo and Xhilaration crowd the rounders; at Wal-Mart, OP and No boundaries are everywhere. Rounding out the top three is Kmart. Here, juniors and young men’s is an amalgam of private labels (Piper & Blue and Wckd) and national brands like Levi Strauss and Lee.

Most-shopped mass merchandisers

Wal-Mart	72%
Target	60
Kmart	23

Source: TRU



OFF-PRICE RETAILERS

Retailers in this category don’t exactly play hardball when it comes to vying for teens’ affections. With limited floor space and an offering that rarely satisfies teens’ trend-of-the-moment desires, they’re shopped far less frequently than popular chain stores, mass merchandisers or department stores.

Still, among teens with a keen eye for value, a creative bent for mixing bridge and contemporary looks into their wardrobes and a knack for finding winning items in a sea of so-so sales, off price has its place. T.J. Maxx wins with up-

to-date looks: for spring, the Dress Out Loud promotions encouraged shoppers to embrace bold colors. Marshalls can sew up a deal with its shoe department, particularly in stores with the MegaShoe assortment. And Ross dangles super-low prices to lure them in.

Off-price retailers hold a trump card that the specialty chains and mass merchants can't beat – namely, designer brands at affordable prices. If gas prices continue to drain budgets, off-price retailers could find youthful faces pouring over their racks and rounders.

Missing from the short list is Plato's Closet, a franchise operating nationwide that is emerging as a trendy penny-pincher's paradise. Plato's Closet is a unique recycling retail store specializing in clothes for teens and twenty-somethings. Franchise owners buy and sell the latest looks in gently used clothing and accessories from the hottest brand names including Express, Hollister and American Eagle.

ATHLETIC SPECIALTY RETAILERS

The gender factor would appear to loom large in the selection of "most-shopped" athletic specialty retailers.

Young men, often more caught up in having the right athletic shoe than the right apparel, shopped Foot Locker most often in the past 12 months.

More than half of the merchandise at Foot Locker is athletic footwear. At

Dick's Sporting Goods, the mix is considerably broader, including a full line of sporting goods and equipment, apparel and footwear. But with approximately 3,800 units (operating under various flags, including Lady Foot Locker and Champs Sports) in malls from coast to coast, Foot Locker has more opportunities to lure them in at the mall.

Nike is among the top three brands cited by teens, a statistic that suggests greater potential for athletic specialty retailers to attract these young footwear enthusiasts.

CHAIN CLOTHING

Old Navy is not a teen retailer: it sells apparel for the entire family. So what is it about Gap's value-orient-

ed, fashion-right Old Navy chain that resonates with students? It's probably the fact that it delivers on that promise. Teens want the latest looks, but unless their parents are footing the bill for everything – and money is no object – Old Navy appears to be a very viable option.

American Eagle and Aéropostale round out the top three. Both offer a more moderate-priced assortment than Abercrombie & Fitch, another teen favorite.

Conspicuously absent from this group is Hollister, a division of A&F that typically wins over teens with its own priced-right mix. Still, with only 455 units, Hollister is dwarfed in size by American Eagle and Aéropostale, which each have more than 800 stores.

FAVORITE BRANDS

Parents often quip that teens have multiple personalities: apparently, it's not all hyperbole. When you look at this top 10 list, teens seem polarized between well-known brands that span generational boundaries and brand names that have carved a niche with the so-called millennials.

For the first time in several years, there's a new brand in the top spot –

Apple. The ubiquitous brand overtook No. 2, Nike, which was the top brand among teens for several years. With teens toting Apple iPods everywhere they go, downloading music from iTunes, talking on their iPhones and using Apple notebook computers – is it any wonder?

It is important to note that neither Apple nor Nike are exclusively marketed to teens – nor are Coca-Cola and Sony, which rank fourth and fifth respectively, nor No. 10, Pepsi. The lesson here is simple: investing in brands still matters.

American Eagle is the most-preferred "teen" brand among the 12- to 19-year-old demographic. The fact that they think of it first and foremost is a testimony to AEO's multi-channel, multimedia approach to connecting with teens.

Most-shopped chain clothing retailers

Old Navy	35%
American Eagle	29
Aéropostale	23

Source: TRU

Most-shopped off-price retailers

T.J. Maxx	18%
Marshalls	16
Ross	15

Source: TRU



Most-shopped athletic specialty retailers

Foot Locker	22%
Dick's	15
Finish Line	12

Source: TRU

Favorite brands

1. Apple
2. Nike
3. American Eagle
4. Coca-Cola
5. Sony
6. Hollister
7. Aéropostale
8. Abercrombie & Fitch
9. Nintendo
10. Pepsi

Source: TRU

THE HOT SHEET ON TEENS

Keeping tabs on teens is a tough job, but Anna D'Agrosa wouldn't trade it. She and her team of trend spotters and researchers spend hundreds of hours each month observing and interacting with young people. In the course of a year, they interview some 3,000 young people using a variety of research tools in an effort to explore their values, aspirations, lifestyles, interests and purchase behavior. The Hot Sheet, a veritable bible for retailers who cater to this fickle demographic, is published bi-monthly. In this excerpt from a recent Hot Sheet, D'Agrosa, director of consumer insights for the Zandl Group, shares insights on today's teens, including three top trends retailers cannot afford to miss.

The teen retail landscape is experiencing a great deal of change, and priorities are shifting accordingly. Teens are making trade-offs based on their personal passions. Fashion addicts, for example, are holding out for sales — comparison shopping online versus paying full price at mall stores. At the same time, gamers are inclined to forgo new jeans in favor of the latest game.

Overall, the area that remains strongest with teens is tech. While today's economy may be crimping their budget, teens are not downgrading their cell phone plans; nor do they resist buying a new iPod if the one they have breaks. Teens overwhelmingly list tech gadgets/services as the "Newest Thing People are Doing or Buying," eclipsing apparel by a great margin.

This tech obsession reflects their priorities and indicates what excites them.

The Apple store has become an entertainment destination for them. They love to go in the store, try out the products — even take pictures with the built-in iSight camera and send them to friends on the store's MacBooks. Other winners are stores whose offerings provide teens with increased mobility and Internet access. T-Mobile's new Sidekick with one-touch MySpace access fits the bill.

Among mainstream teens the most popular stores are Hollister, PacSun and Hot Topic, but among progressive, directional teens we hear more about Anthropologie,



Usual Store for Clothes by Category — Teens (13-17)

	Males	Females
Specialty Apparel	56%	66%
Department Stores	10	17
Mass merchandiser	9	9
Off-price	7	5

Source: Hot Sheet 2007 Year End Report

Newest Thing People Are Doing or Buying 2007 — Teens (13-17)

	Males	Females
Electronics	57%	58%
Apparel	12	20
Entertainment	10	8
Sports/activities	7	NA
Cars/wheels	6	5
Shoes	6	6
Accessories	NA	3

Source: Hot Sheet 2007 Year End Report

Urban Outfitters, American Apparel and H&M. Directionally, teens are going to the mall less and opting instead for online. eBay has become the go-to for fashion-forward bargain hunters, and many teens are buying T-shirts directly from their favorite bands' websites. Teens, especially those who earn their own spending money, love to shop at Wal-Mart and Target for items like toiletries — and they tell us that they shop for clothes at Target because they can "always find cute stuff." Independent boutiques and thrift shops are becoming more attractive for unique items.

TOP TRENDS IMPACTING RETAIL

Cool to be frugal. Teens are acutely aware and affected by the downturn in the economy. We recently interviewed a teenage girl in Chicago with an afterschool retail job whose parents are both currently unemployed, leaving her and her brother as the breadwinners for the family. This is an extreme example, but most teens are telling us that they are strapped for cash and having difficulty finding jobs.

We've noted that Americans, including teens, have proven to be very resilient; the going is tough financially, and it is suddenly cool to be frugal. Off-price and fast-

fashion retailers such as H&M should fare well in this climate. Teens inherently view fashion as ‘disposable’. We have never heard a teen say that they’ve made an “investment” purchase of clothing, and these retailers offer them a chance to be stylish at affordable prices.

Knowledge is their vanity. There has been a recent shift away from status brands and toward knowledge as the new social currency. Those with the most insider knowledge/connections are becoming the new power brokers. Teens seek out expertise in the hope of becoming the go-to person for their area of interest. They love shopping at stores that employ experts – they specifically mention Sephora, the Apple Store and GameStop – making comments such as “you have to know *so much* about games to work there.”

Online full time. Teens are online 24/7. It’s the first thing they do when they get up in the morning and the last thing they do before bed. This constant exposure to information has fundamentally changed the way they approach nearly everything, including shopping. The online retail experience is crucial to them — from auction sites like eBay to online homes of their favorite retailers. They demand a fluid relationship between online and store and expect to be able to research products online to buy in-store and return online orders in-store. The need for a satisfying online shopping experience will only increase with time.

411 ON THE Zandl Group

The *Hot Sheet* is published by the Zandl Group. Founded in 1986 by Irma Zandl, one of America’s leading trend forecasters, the Zandl Group has pioneered many ethnographic and non-traditional approaches that yield rich insights while fully immersing clients in their consumers’ world. The

New York-based research firm specializes in consumer insights, new product trends and ways to stay culturally relevant to today’s hard-to-reach consumer.

The Zandl Group’s approach is ethnographic, combining consumer immersions and directional/progressive research. Consumer immersions include in-home interviews, shop-alongs, scene immersions and “closet checks” that give a rounded sense of retail habits and trends. For directional research the Zandl Group relies on its online panel of “thought leaders” who have been hand-picked and prescreened for their keen cultural perspectives and conceptual abilities.



attempting to connect with teens should keep in mind.

Teens are multi-taskers. They surf the ’Net, play video games, and instant message (IM) and text message their friends — often at the same time, which makes it much tougher for you to grab their attention.

Teens prefer byte-sized entertainment. It’s best to keep your message short if you want to grab their attention, and that’s especially true if you’re delivering it to them online or via cell phones.

Teens expect content on demand. Today’s kids download their favorite tunes and videos from peer-to-peer networks and watch TVs hooked up to TiVo and DVRs. They’re used to getting what they want, precisely when they want it — delivered, of course, on their favorite devices. That has drastically changed the way marketing professionals evaluate and present media.

Teens want to participate. They’re hooked on social media because it offers them instant feedback. Mainstream media are getting the message; shows like “American Idol” encourage viewers to vote for their favorite contestants; Doritos, Dove, and other well-known brands invite consumers to create their own commercials and jingles.

Enlist teens to manage your social media. Take advantage of social media’s ability to reach vast audiences by sending out weekly MySpace bulletins, Facebook notes or fun messages. By recruiting a teen or two to assist you, you’re validating their technological expertise and social networking skills.

Don’t try too hard to be cool. Kids can see right through that.

Know your audience. Boys and girls use the Internet differently, and you’ll want to tweak your strategy to take advantage of those differences. Teenage boys, for example, create and upload more videos onto sites like YouTube; girls spend more time designing, decorating, blogging, commenting and communicating on social networking sites.

Don’t sweat the design. Beautiful design is great, but your site doesn’t have to be drop-dead gorgeous. Just make sure it addresses teens’ fundamental needs.

Support causes kids care about. American Apparel, a brand that’s popular with teens, speaks out on immigration reform, and Virgin Mobile supports organizations that are working to end youth homelessness. GAP joined the (RED) campaign, which was created, in part, to purchase medical supplies for women and children in Africa who have been affected by HIV/AIDS. Find out what teens are passionate about and create a way for them to make a difference in the world.

Use text messaging and IM appropriately. Teens use e-mail to communicate with the “adult” world, but when they want to talk to each other, they usually text or IM. If adults reach out to kids in a medium they view as their own, it often freaks them out.

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