

Footwear

INDUSTRY OVERVIEW

The footwear industry has been predominantly positive throughout the summer and back-to-school season. Sneakers and casual footwear in particular have been driving sales, as consumers have been dressing more casually on a day-to-day basis. Furthermore, sneakers are no longer merely about function, but they are also about style, as fashion sneakers have been driving sales. Other summer footwear styles also performed well this year, including sandals and women's summer heels. In general, consumers continue to see footwear as a way to showcase their personal style.



TREND TRACKER

Three month NOLVs	Increasing ↑
Sales Trends	Increasing ↑
Gross Margin	Mixed ⇕
Discounting	Mixed ⇕

NOLVs: NOLVs have generally been increasing between 0.5 and 2.0 percentage points due to increases in sales.

Sales Trends: Sales trends within the industry have generally increased; however, performance has varied by category. In general, casual footwear has been performing better than dressier options, as consumers are continually dressing more casually on a day-to-day basis.

Gross Margin and Discounting: Many companies have had to increase discounting to drive sales; however, some have managed to offset margin erosion through the sale of higher-margin products, higher average prices, and an increase in sales through e-commerce versus lower-margin channels.

KEY INDUSTRY DRIVERS

- Casualization:** Over the past few years, consumers have increasingly become more casual in appearance, particularly as the “athleisure” apparel trend has gained traction. Consumers are wearing stylish, comfort apparel that can be worn to work out or run errands. This has impacted the footwear industry, as casual footwear to complement these athleisure outfits has sold well. Vulcanized sneakers, such as Converse and Vans, continue to sell well. Consumers are also purchasing athletic sneakers, particularly Jordan’s and low-top basketball sneakers. Vintage styles have also been celebrated. Several major athletic footwear brands are bringing back reinvigorated styles from years ago.
- E-commerce:** Footwear retailers continue to develop an omni-channel presence. The transition toward online shopping has been less prevalent in footwear than in other sectors, as many consumers prefer to try on shoes before purchasing. However, retailers continue to leverage multi-channel capabilities, offering to order a size, color, or style of a shoe unavailable in a store for customers, and have it sent to their home through the e-commerce division. Major players in the industry continue to strengthen mobile platforms and expand e-commerce to compete with online retailers such as Zappos.com and Amazon.com.

SALES TRENDS

The following table illustrates comparable store sales trends for major footwear retailers (Represents the most recent fiscal quarter sales reported):

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
DSW	1.8%	5.1%	7.6%	2.6%
Johnston & Murphy	10.0%	3.0%	2.0%	0.0%
Foot Locker	9.6%	7.8%	10.2%	6.9%
Finish Line	1.5%	5.5%	3.2%	4.5%
Famous Footwear	0.1%	3.1%	4.0%	(0.2%)
Journeys	4.0%	5.0%	16.0%	6.0%
Skechers	12.8%	9.3%	13.9%	11.0%
Steve Madden	18.5%	11.6%	(2.3%)	(7.4%)
Deckers	0.0%	4.7%	7.6%	3.3%

Note(s): The most recent quarter for Finish Line ended August 29, 2015; Skechers, Steve Madden, and Deckers ended June 30, 2015; all other companies ended August 1, 2015.

OUTLOOK

Early in the back-to-school season, warmer weather in many areas of the country resulted in boots being slow to sell. However, many retailers are anticipating boots to sell well once temperatures cool, and continue to perform during the holiday season. In particular, fashionable ankle boots for women are anticipated to be a strong trend during the rest of the year, as are boots designed to withstand the winter elements and function well on snowy terrain.

Monitor Information

GA's Retail Monitor highlights key industry drivers within the retail sector and how they relate to GA's valuation process and current trends in recovery values. As the retail industry is impacted by consumer spending patterns and various macro and microeconomic factors, timely and accurate information is essential. GA strives to contextualize important indicators to provide a curated perspective of the market for our clients' needs. Such indicators include general industry trends, comparable store sales trends, gross margin changes, and discounting activity. Any comparable store sales illustrated in this monitor reflect figures as they have been reported by public retailers. The methodology for calculating comparable store sales may vary by company.

GA welcomes the opportunity to make our expertise available to you in every possible way. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Business Development Officer using the contact information shown in this and all *Retail Monitor* issues.

GA's *Retail Monitor* provides a brief overview highlighting specific sectors of the retail industry. The information contained herein is based on a composite of GA's industry expertise, contact with industry personnel, liquidation and appraisal experience, and data compiled from a variety of well-respected sources believed to be reliable. GA does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this issue. Neither GA nor any of its representatives shall be liable for use of any of the information in this issue or any errors therein or omissions therefrom.

