

Published by

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UK

**UK Fashion
Industry:
Financial
Performance
2000-2005**

**Independent Market
Research Report**

Commissioned by

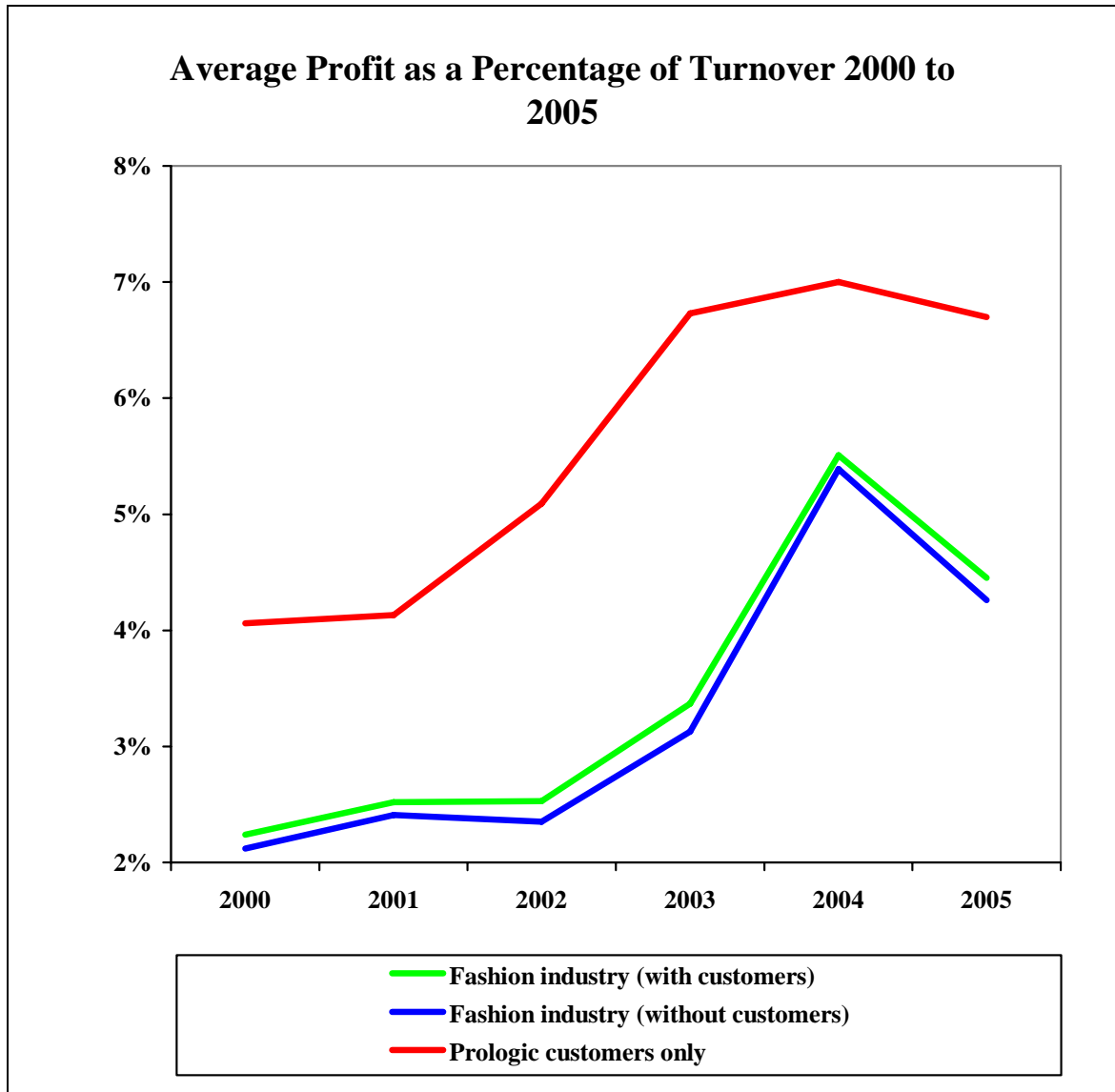
PROLOGIC

April 2007

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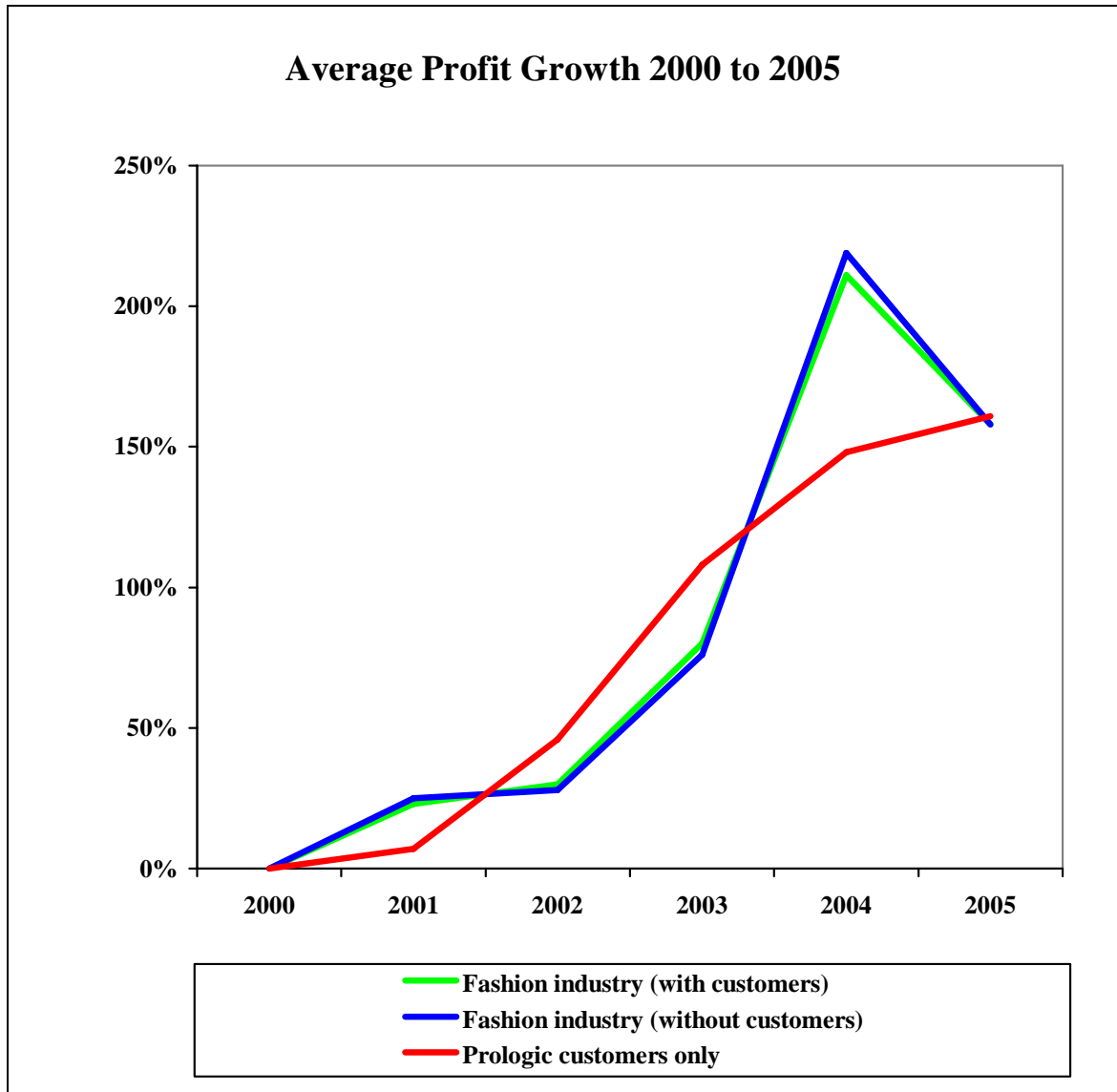
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- The above chart shows the average profit as a percentage of that year's turnover for the companies analysed here.
- The industry average in 2000 was 2.24%, and in 2005 it had risen to 4.45% showing that this segment of the industry had become more profitable during the 6-year period.
- However, Prologic customers were more profitable to start with, with an average of 4.06% in 2000, and were more profitable in 2005 with an average profitability of 6.7% of turnover.

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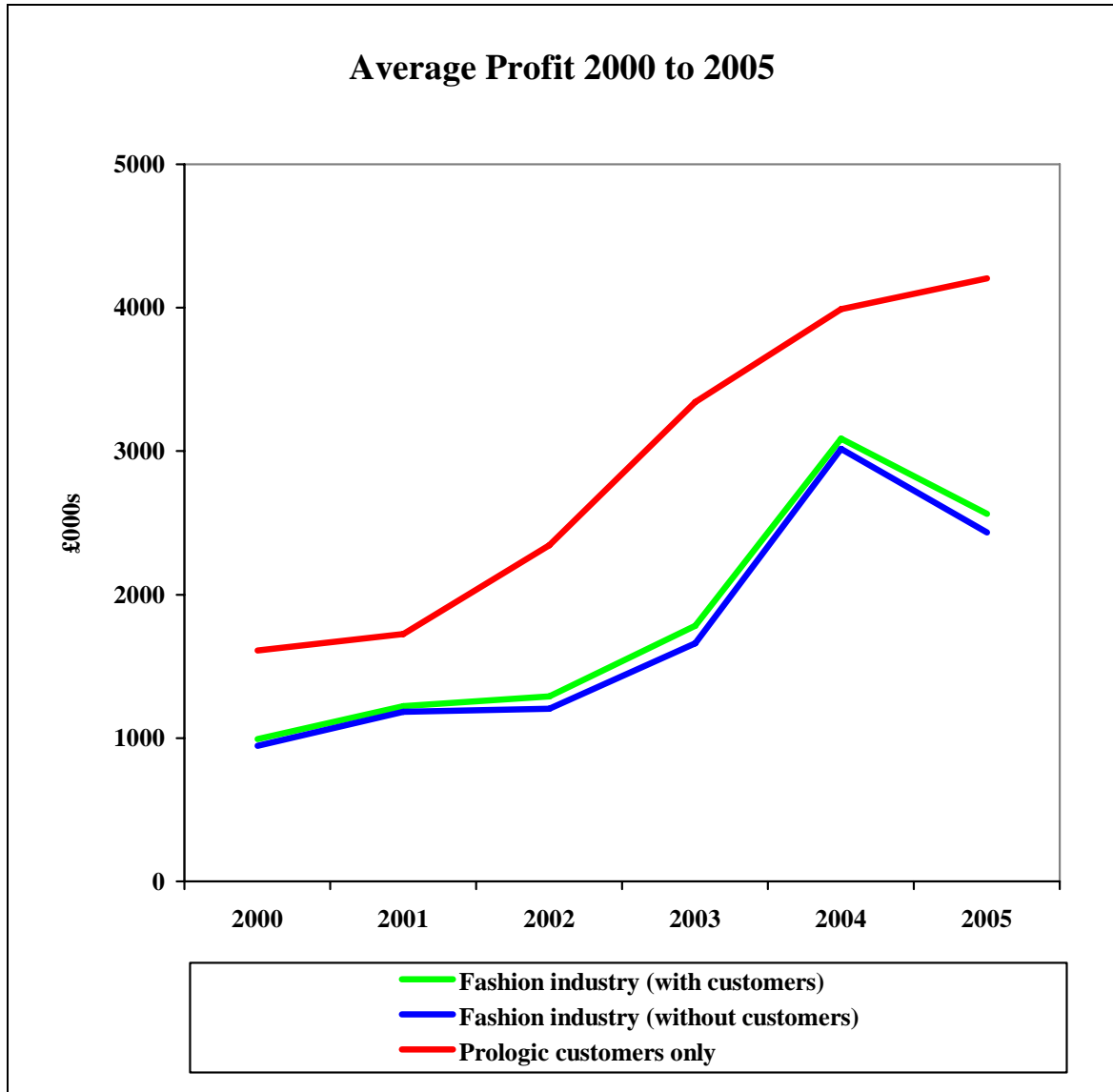
- By 2005, the average profit for Prologic customers had risen to £4,205,000 (£4.2M); thus, as a group, these Prologic customers have been more profitable than the industry average during this 6-year period.
- However, some individual companies (both customers and non-customers) were losing money in 2005.
- There is a marked drop in profitability for the industry between 2004 and 2005; in-depth analysis of the data shows that 57% of all companies in this sample experienced a drop in actual profits between 2004 and 2005, as did 44% of Prologic's customers.



- Since 2000, the whole industry, as represented by this sample, has experienced an average growth in profits of 158% to 2005.
- For the industry as a whole, this average growth in profits has been somewhat erratic over the years, whereas the average growth rate in profits has been smoother for Prologic customers.
- However, Prologic customers have seen an average growth of profits of 161% during this time which is at a similar level to the industry as a whole.

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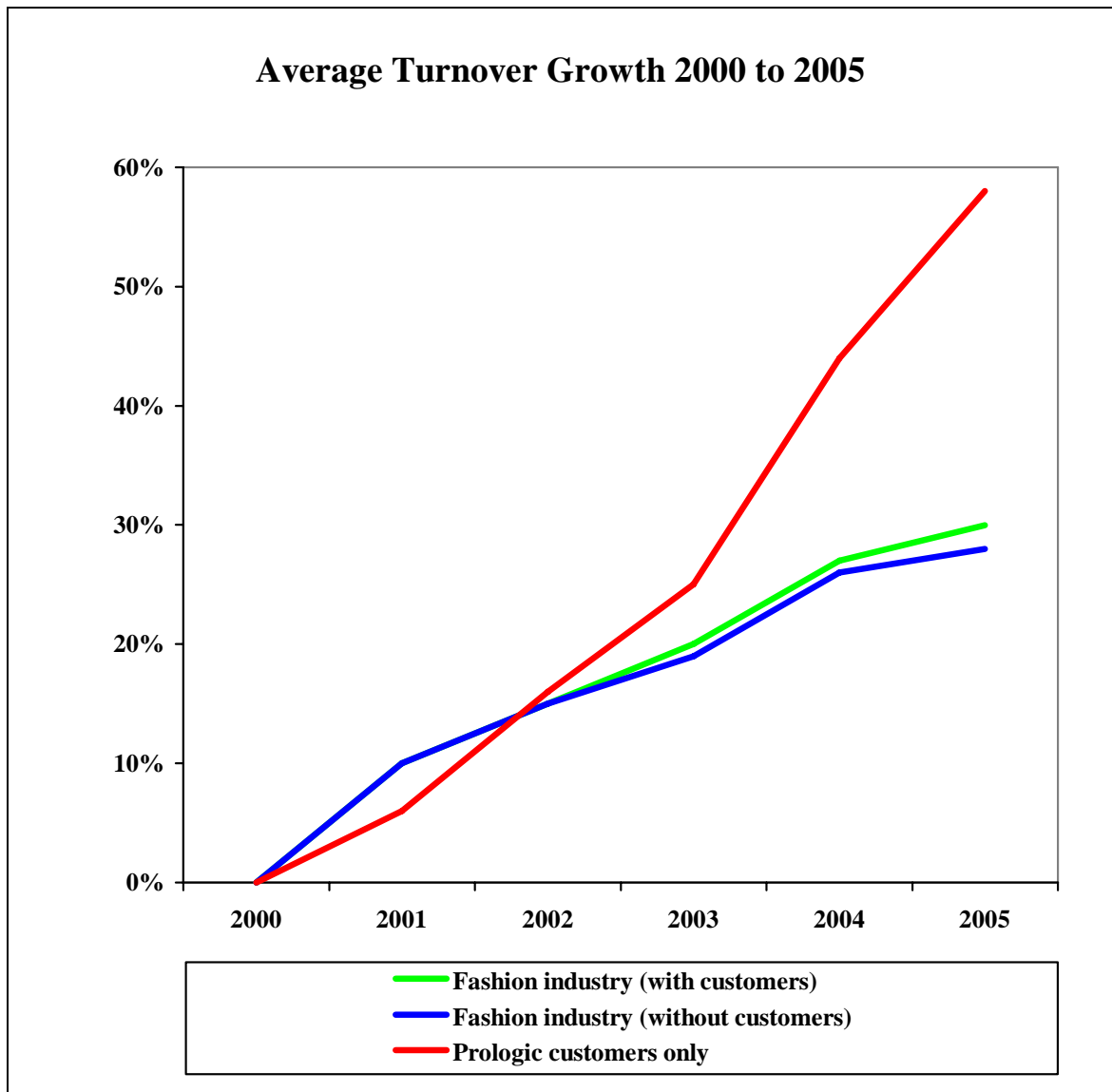
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Year	Sector	Profit Range £000s	Average £000s	Median £000s
2000	Whole industry	-31,803 – +22,419	992	589
	Customers only	-3,341 – +7,359	1,609	1,086
	Industry without customers	-31,803 – +22,419	944	565
2005	Whole industry	-26,111 – +50,936	2,562	610
	Customers only	-7,222 – +18,334	4,205	3,862
	Industry without customers	-26,111 – +50,936	2,432	602

- In 2000, the average profit values for the industry ranged from -£31,803,000 to +£22,419,000, and the average and median values were £992,000 (£992K) and £589,000 (£589K), respectively.
- By 2005, this segment of the industry as a whole had become more profitable, with the average profit figure climbing to +£2,562,000 (£2.6M).
- Prologic customers started off in 2000 in a more profitable position than the rest of the industry with an average profit of £1,609,000 (£1.6M).

- By 2005, for this group of companies, this had changed from £68,000,000 to £400,472,000, with an average of £57,119,000 (£57.1M) and a median of £35,530,000 (£35.5M); thus representing considerable growth in sales for this group of companies and the industry as a whole.
- In 2000, Prologic customers had a lower average turnover than the industry average (£39.7M), but a higher average turnover by 2005 (£62.7M), seeing the most pronounced change from 2003 onwards.



- Since 2000, the whole industry, as represented by this sample, has experienced an average growth in turnover of 30% to 2005.
- However, Prologic customers have seen an average of 58% growth in turnover during this time.
- From 2001, the average turnover of Prologic customers grew at a faster rate than the rest of the industry.

1. Key Findings

- The average turnover for this segment of the fashion industry in 2000 was £44.2M, which then grew to an average of £57.1M in 2005, representing an average growth in turnover of 30% over this period.
- Prologic customers in 2000 had a lower average turnover (£39.7M), but by 2005, this group of companies outperformed the rest of the industry with an average turnover of £62.7M, representing an average growth in turnover of 58% during this time.
- This segment of the industry as a whole saw an increase in profits between 2000-2005, with the average profit figure climbing from less than £1M (£992K) to £2.6M, representing an average growth in profits of 158% to 2005.
- Prologic customers started off in 2000 in a more profitable position than the rest of the industry with an average profit of £1.6M, and by 2005, this had risen to £4.2M, thus representing an average growth of profits of 161% during this time.
- The average profitability figure for the industry in 2000 was 2.24% of turnover, and in 2005 it had risen to 4.45% showing that this segment of the industry had become more profitable during the 6-year period.
- However, Prologic customers were more profitable to start with, with an average of 4.06% of turnover in 2000 (almost twice as profitable), and in 2005, this had risen to an average profitability of 6.7% of turnover.
- **In conclusion, as a group, Prologic customers have grown faster and been more profitable than their peers in the industry during this 6-year period.**

2. Research Methodology

2.1 Overview:

This report was commissioned by Prologic and details analysis of a segment of the UK fashion industry, in terms of its financial performance from 2000 to 2005.

The fashion industry is defined here as companies with their main line of business falling under UK SIC codes 5142 (wholesale of clothing and footwear), 5242 (retail sales of clothing) and 5243 (retail of footwear and leather goods). The data was screened to only include companies with a turnover of £10,000,000-£200,000,000 during the financial year of 2000. This represents the mid-market in terms of size and is also comparing similar sized companies to Prologic's customer base. It also created a level playing field as a starting point for the analysis.

The resulting database of companies, after cleaning, contains 220 companies. Among this data, customers of Prologic were identified (16 in total).

The turnover and profitability data for this segment of the industry has been examined from publicly available information, as submitted to Companies House in the form of annual accounts.

2.2 Data Cleaning, Assumptions and Analysis:

The initial database contained 328 companies. In order to make the analysis robust and viable, this dataset was cleaned by:

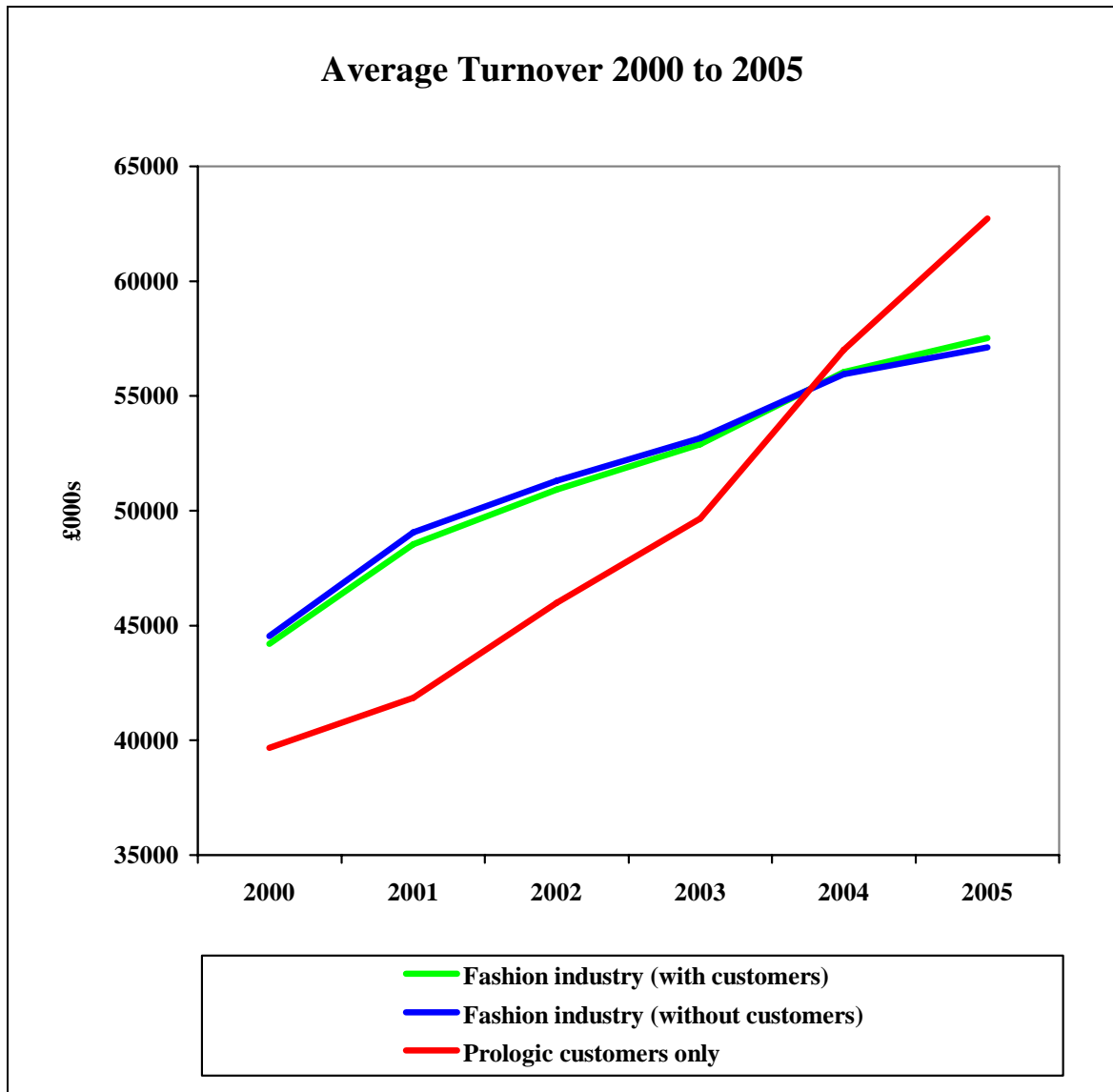
- Removing all companies with missing turnover data for the years 2000 and 2005 – leaving 95% of companies with complete financial data for all 6 years
- Identifying subsidiary / parent company relationships and leaving in the parent company only
- Removing any companies known to have entered into liquidation during the 6 year period
- Identifying companies that had merged and only including the new parent company data
- Removing any duplicates in the database

Prologic also supplied Dynamic Markets with details of its customers, including dates of their first order. Of the 16 customers included in this analysis, 14 were already customers in 2000, another became a customer in 2001 and a second in 2002.

Approximately 95% of Prologic customers purchase the full suite of modules when they become a Prologic customer.

The resulting data has been analysed and compared according to average turnover figures, average turnover growth, average profit, average profit growth and average profit as a percentage of average turnover.

3. Main Findings



Year	Sector	Turnover Range £000s	Average £000s	Median £000s
2000	Whole industry	10,202 – 196,401	44,197	27,918
	Customers only	14,436 – 67,803	39,664	42,138
	Industry without customers	10,202 – 196,401	44,553	27,288
2005	Whole industry	68,000 – 400,472	57,528	35,530
	Customers only	20,406 – 124,438	62,740	59,958
	Industry without customers	68,000 – 400,472	57,119	34,654

- The starting range of turnovers for this group of companies in 2000 was deliberately restricted to be between £10M-£200M, and is actually from £10,202,000 to £196,401,000, with an average of £44,197,000 (£44.2M) and a median of £27,918,000 (£28M).