

Retail and Sales Overview

YEAR-TO-DATE + OUTLOOK

05 | 26 | 17



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1. State of US Retail
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3. Key Challenges/Most Pressing Issues
4. Legwear Category and K-R Brand Retail Performance
5. K-R Sales Performance Versus Budget
6. Key Strategies to Improve Retail Performance



State of Retail in the US

Winners

Amazon earnings beat sends stock to record levels: Live blog recap

April 27, 2017, 3:57 PM ET

Dollar General: Recession-Proof Business At A Fair Price

May. 8.17 | About: Dollar General (DG)

Dollar stores grow as other retailers shrink

[Rick Romell](#), Milwaukee Journal Sentinel | Published 10:13 a.m. CT May 3, 2017 | Updated 10:08 p.m. CT May 3, 2017

Off-Price Retailers Look to Continue Their Growth Streak in 2017 PART 1 OF 6

Off-Price Retailers Look to Outperform Department Stores in 2017

By Sharon Bailey | Apr 27, 2017 2:41 pm EDT

APR 30, 2017 @ 01:54 PM 491

Amazon Retail Sales Up In Q1



[Amazon](#) | [Business](#) | [Retail](#) | [Technology](#)

Amazon extends double-digit sales-growth streak

Originally published April 27, 2017 at 1:38 pm | Updated April 27, 2017 at 6:21 pm

Whole Foods Unveils 'Accelerated Path' for Growth

New CFO, 5 new directors named; Q2 comps sag

May 10, 2017, 05:33 pm By Jim Dudlicek, EnsembleIQ



EXPLOSIVE ULTA BEAUTY WILL OPEN 100 MORE STORES



MARCH 15, 2017 BEIXIXU2017

Losers

Macy's may shut down even more stores



Hayley Peterson   

 May 12, 2017, 9:30 AM  17,205

RETAIL

Kohl's Q1 Earnings Up, Sales Down



By PYMNTS  

Posted on May 15, 2017

RETAIL | Fri May 12, 2017 | 12:05pm EDT

J.C. Penney at record low, wraps up dismal quarter for department stores

Target sales decline as traffic, order size fall

By Austen Hufford

Published: May 17, 2017 7:36 a.m. ET

Retailers Are Going Bankrupt at a Record Pace

Department stores, electronics sellers, and clothing shops are most at risk.

by Kim Bhasin

April 24, 2017, 12:00 PM EDT

Department Stores: A Return To Recession-Like Days?

CFRA analyst Efram Levy sees "recession-like" performance ahead for some department store chains.

By Johanna Bennett • May 12, 2017 12:50 p.m. ET

CNN Money U.S. • Business Markets Tech Media Personal Finance Small Biz Luxury 

The Buzz

Retail train wreck continues as sales plunge at Macy's, Kohl's

Rue21 files for Chapter 11 bankruptcy as shopping mall stores suffer

Nathan Bomey, USA TODAY Published 10:56 a.m. ET May 16, 2017 | Updated 4:24 p.m. ET May 16, 2017

State of Retail

Bankruptcies at a 10 year high

Apparel stores hardest hit

(Losses include: Sports Authority, Rue 21, The Limited, Wet Seal, Gander Mountain, BCBG Max Azra, American Apparel)

9,000 stores to close this year – more than 2008 recession

Too many US retail stores (7.3 square feet per capita vs. 1.3 in UK)

Greatly reduced retail traffic (-15%)

Off Price and Dollar stores are expanding

State of Retail

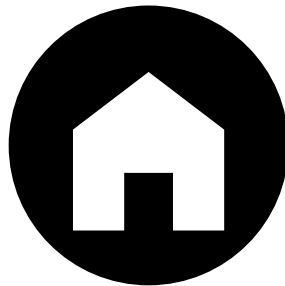
Consumer shift in spending from apparel & accessories to transformative experiences:



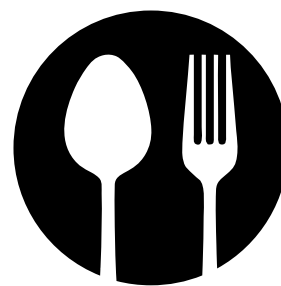
healthcare



beauty



home



restaurants



travel

2017 YTD Retail Dollar Change

-6%
Women's
Apparel

-8%
Women's
Legwear

-8%
Handbags

-7%
Footwear

-4%
Jewelry

+4%
Luggage

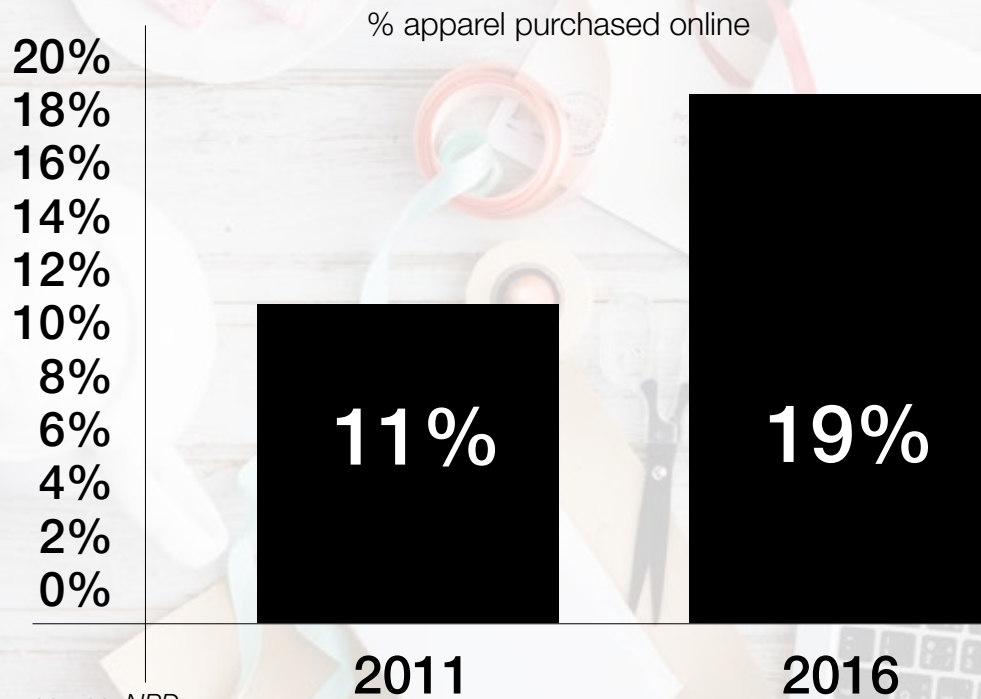
+12%
Makeup

source: NPD

State of Retail

Shift from in-store to online apparel purchases

Total women's apparel online purchases YTD 2017 +10%



source: NPD

State of Retail

Amazon and Nordstrom top online stores

1. Amazon
2. Nordstrom
3. Old Navy
4. J. Crew
5. Gap
6. Stitch Fix
7. Macy's
8. Kohl's
9. Banana Republic
10. Victoria Secret

30% online apparel shopping with non-traditional retailers

NPD Among US Shoppers Ages 35-45





Consumer Mindset

Consumer Mindset

Consumers Today:

Prioritize purchases

Avoid debt

Are not aspirational

Millennials are frugal except in a handful of categories

Prefer experiences to things:

- Home décor and entertainment

- Travel

- Food & Restaurants (Cooking & cooking prep)

Chase individuality versus fashion:

- 8 of 10 Top Designer brands declined double digits in 2016



Key Challenges

Key Challenges

All Legwear categories declining

Legwear is not a priority for retailers

- WM reduced SKUs -40%, space -25%

- Legwear moved to intimates area, reduces sales by -30%

- Sam's is replacing legwear space with items like shoes

Retail customers are demanding brand and product differentiation

- Upper tier department, Specialty, E-comm, College book stores don't want same brands found in Macy's, Belk's, and Bon Ton

- Retail environment requires: more brands, brand segmentation, unique product

Key Challenges

KR must expand its brand portfolio.

- New brands + Sub brands

- A performance sock brand

- Insure our heritage brands (HUE and No nonsense) remain important to consumers and retailers

 - HUE not perceived as “cool”

KR is making progress gaining new distribution, but slower pace than planned

- Retailers prefer a TEST versus Rollout new brands

- Price expectations lower and margins expectations higher

Much more competition in socks than in past

- Sam's added; Under Armour, Reebok, Saucony

- Walmart added; Danskin, Avia and Peds

- Department stores added; Nike, Adidas, Under Armour

- KR does not have a strong performance sock

Current Winners in Legwear

- Performance Brands, New Niche Brands

KR currently winning in;

- Food & Drug

- Ecommerce



Legwear Category Retail Performance



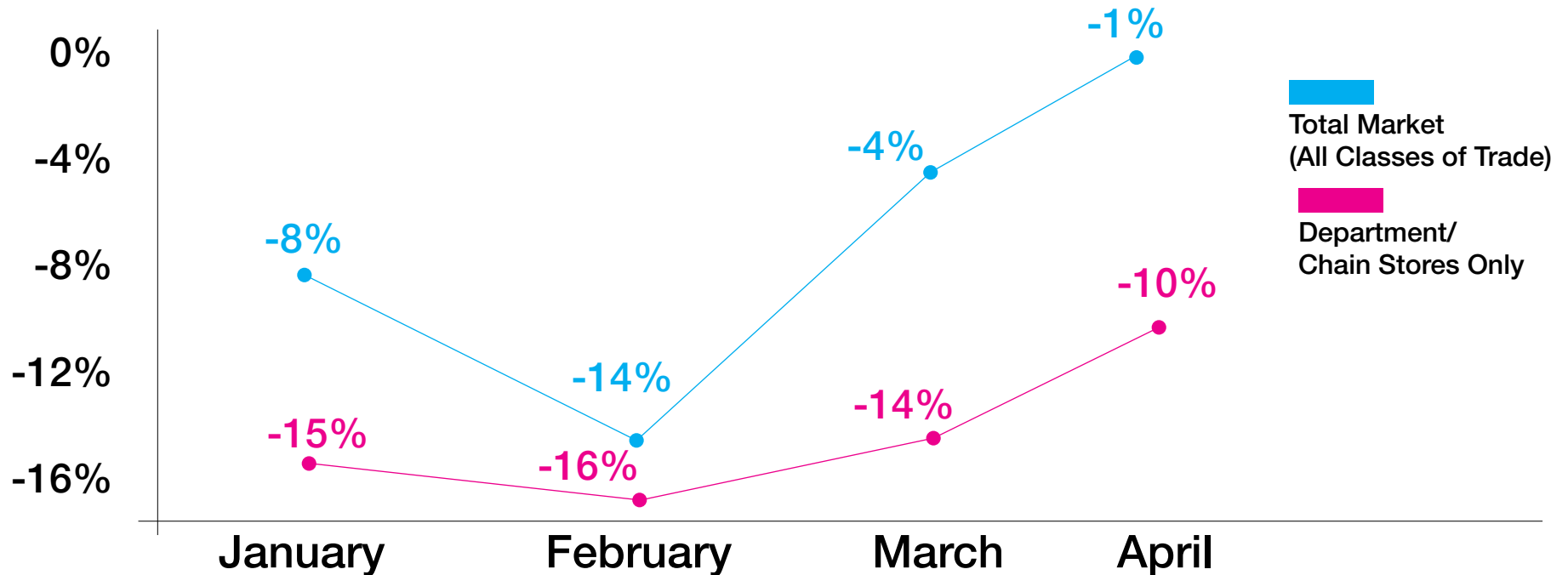
HUE Retail Sales Performance

(2017 YTD)

The total women's legwear market declined -8% YTD, Jan - April, although performance improved in March and April.

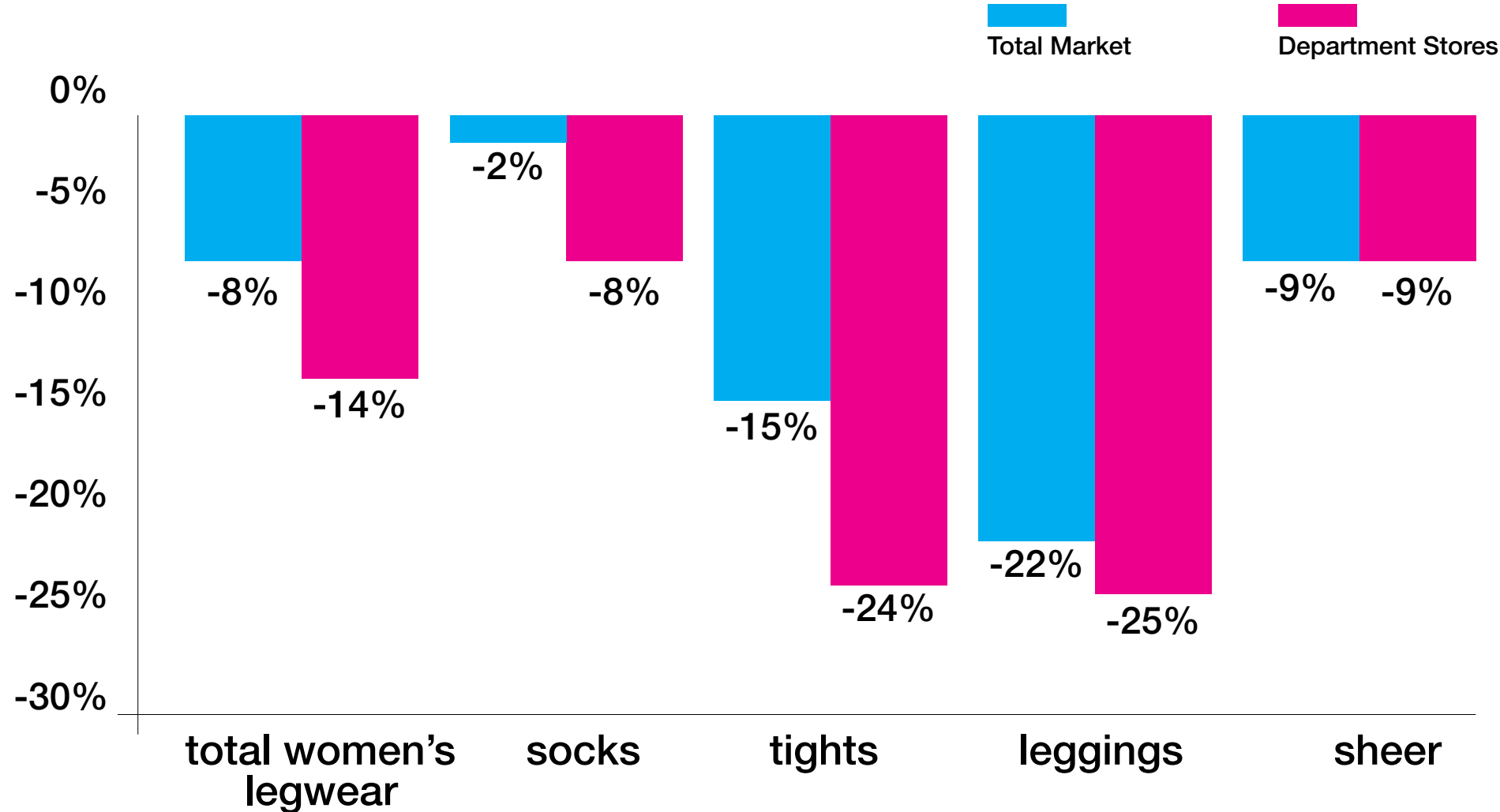
Market declines driven by leggings and tights

Department store performance significantly below the total market, -14%, YTD, Jan - April



Total Women's Legwear Market Performance By Segment (2017 YTD)

All segments declining, tights and leggings most severe

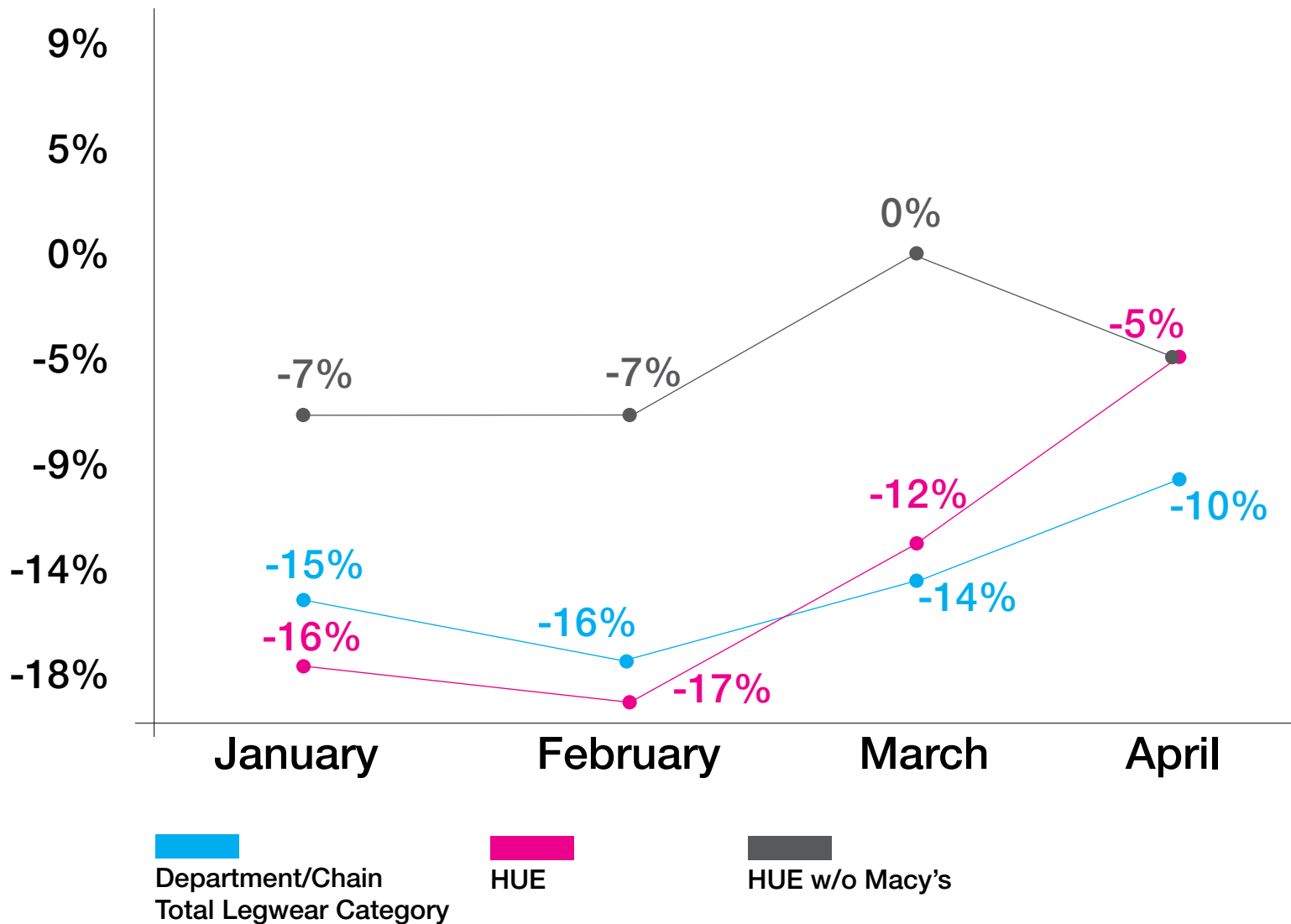


HUE Retail Sales Performance

(2017 YTD)

HUE retail sales trend improving and outpacing total Dept/Chain performance.

Macy's is dragging down HUE performance.

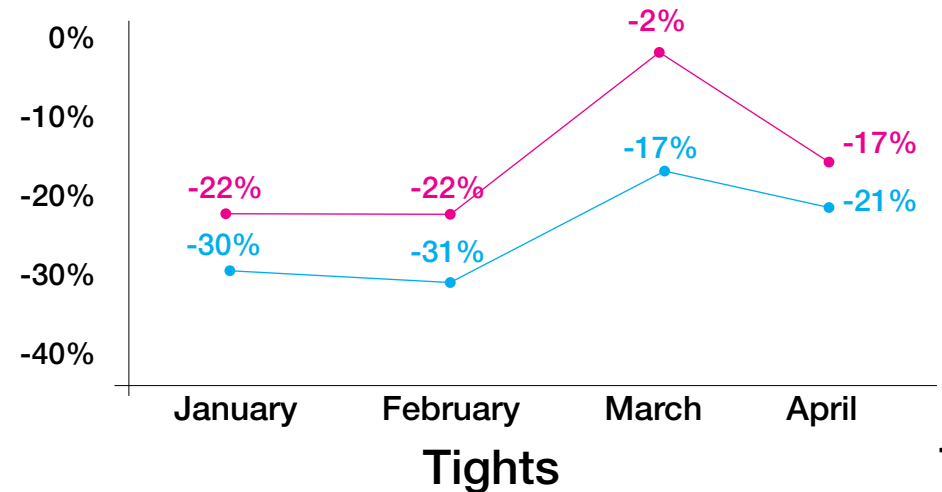
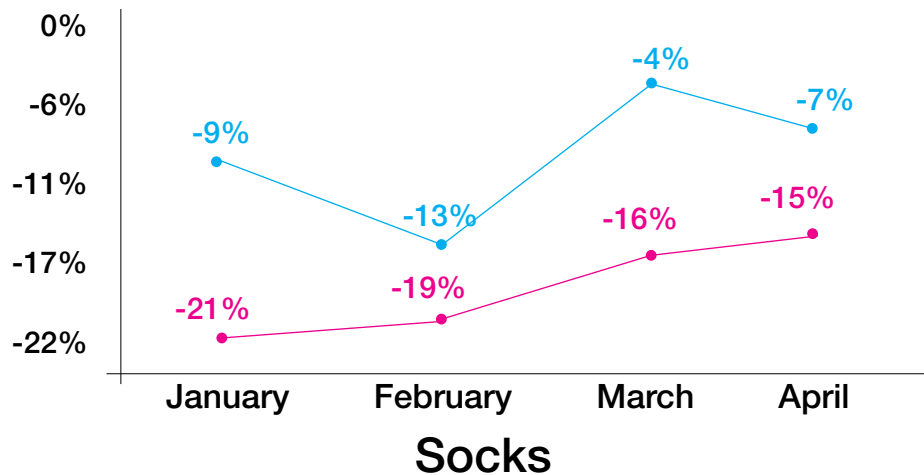
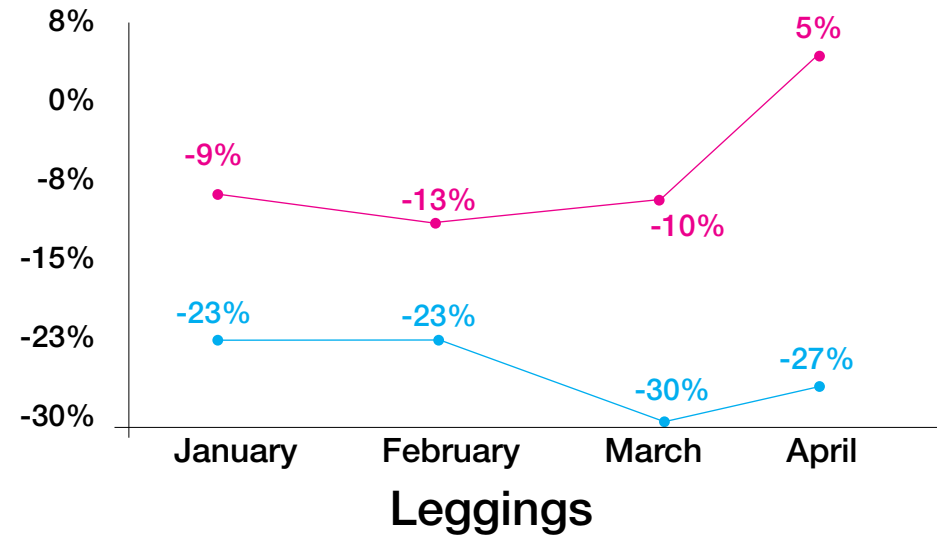
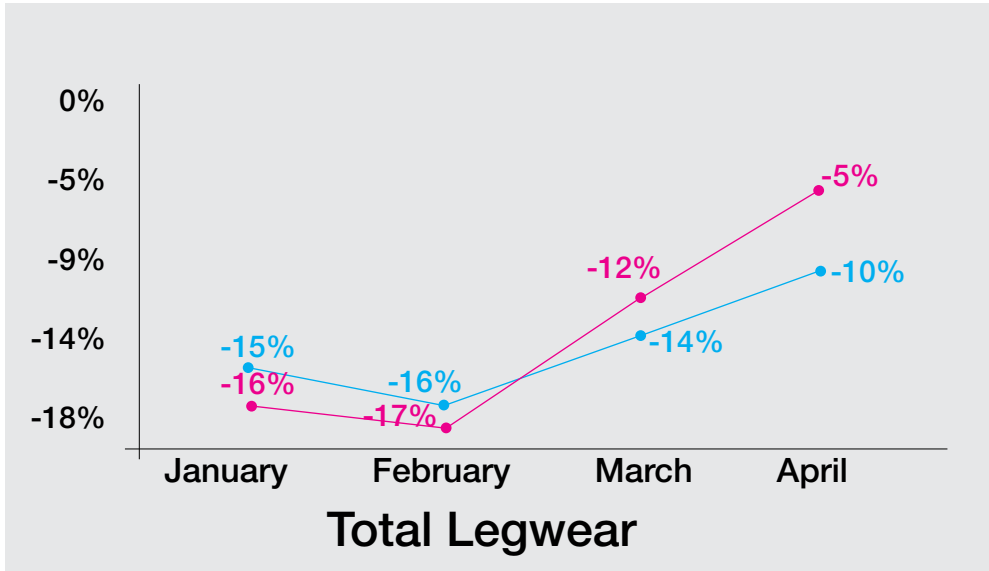
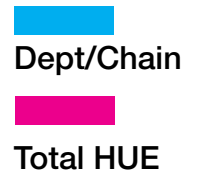


HUE Retail Sales Performance

(2017 YTD)

HUE out performing market in Leggings and Tights.

Underperforming in socks due to new competition - Under Armour, Nike, Adidas, Stance

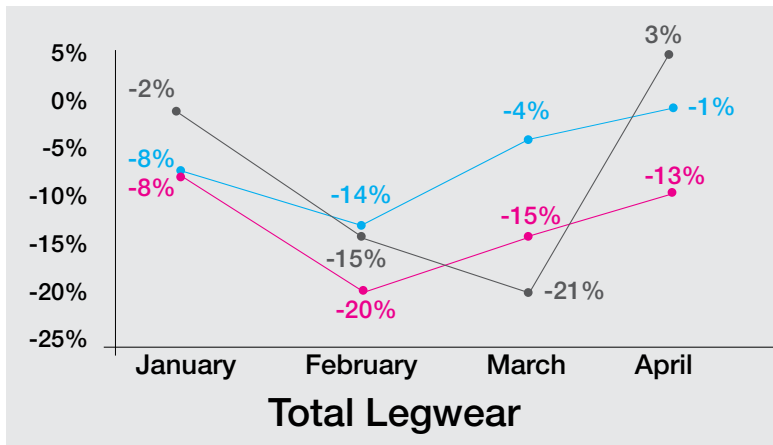


No nonsense Retail Sales Performance

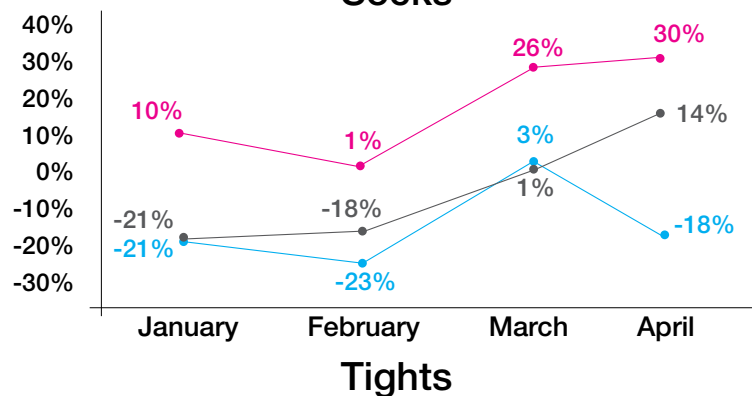
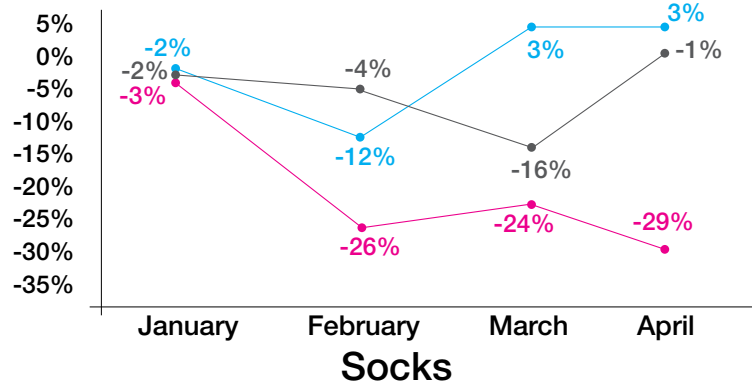
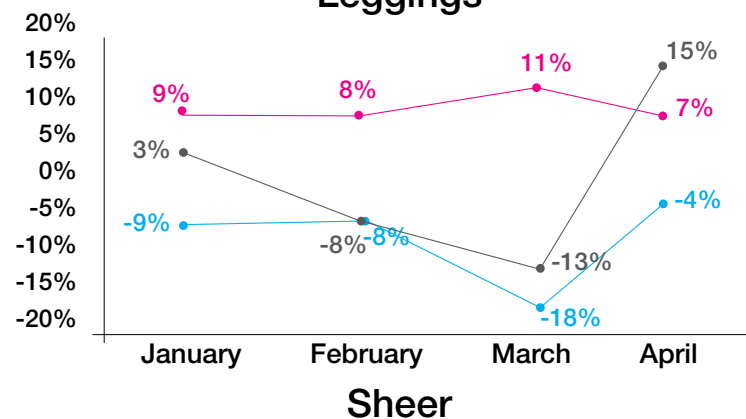
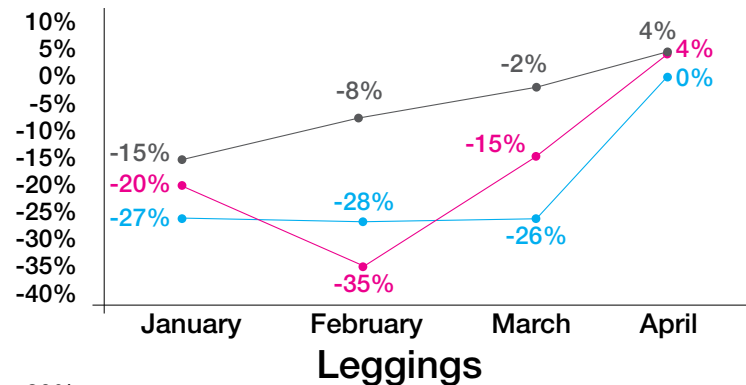
(2017 YTD)

No nonsense Mass out performing market in Tights, Leggings and Sheer. Loss of space in socks at Walmart negatively impacting sales.

No nonsense Food & Drug out performing market in Leggings, Tights and Sheer. 2017 resets not until 3rd quarter.



■ TMM
 ■ NN Mass
 ■ NN F/D

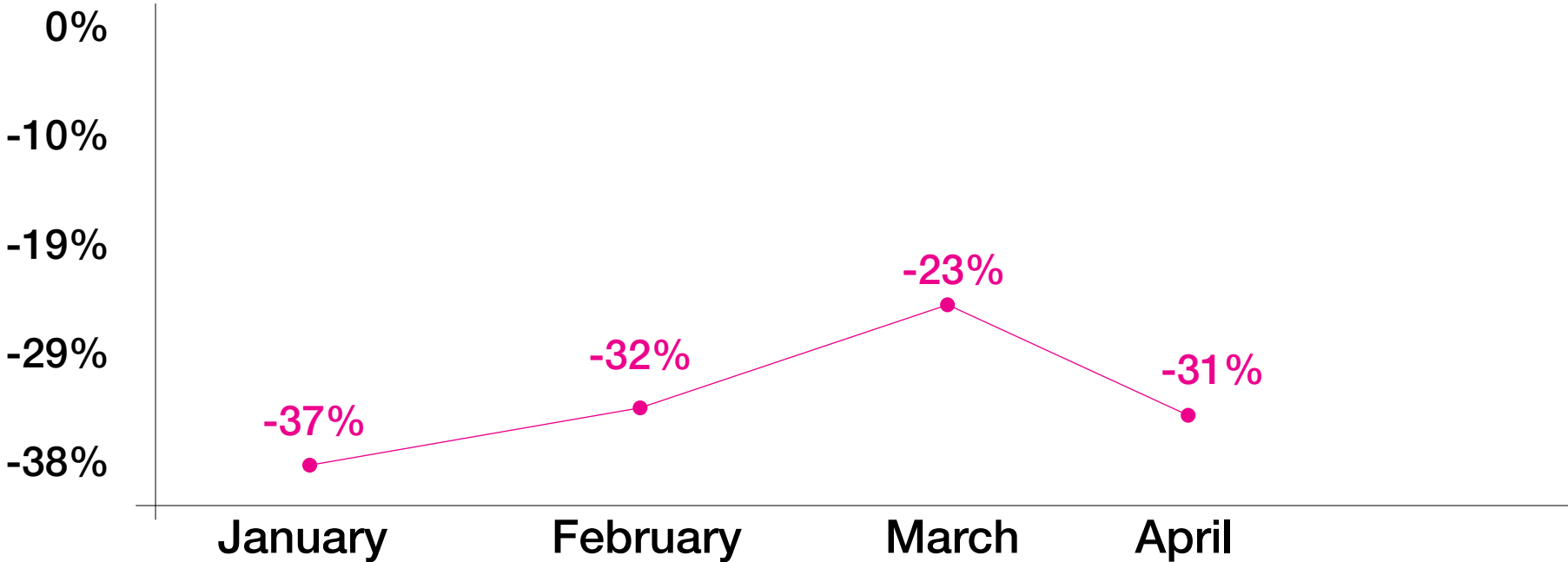


Source: K-R POS System & Retailer Portals

Sam's Club Retail Sales Performance

(2017 YTD)

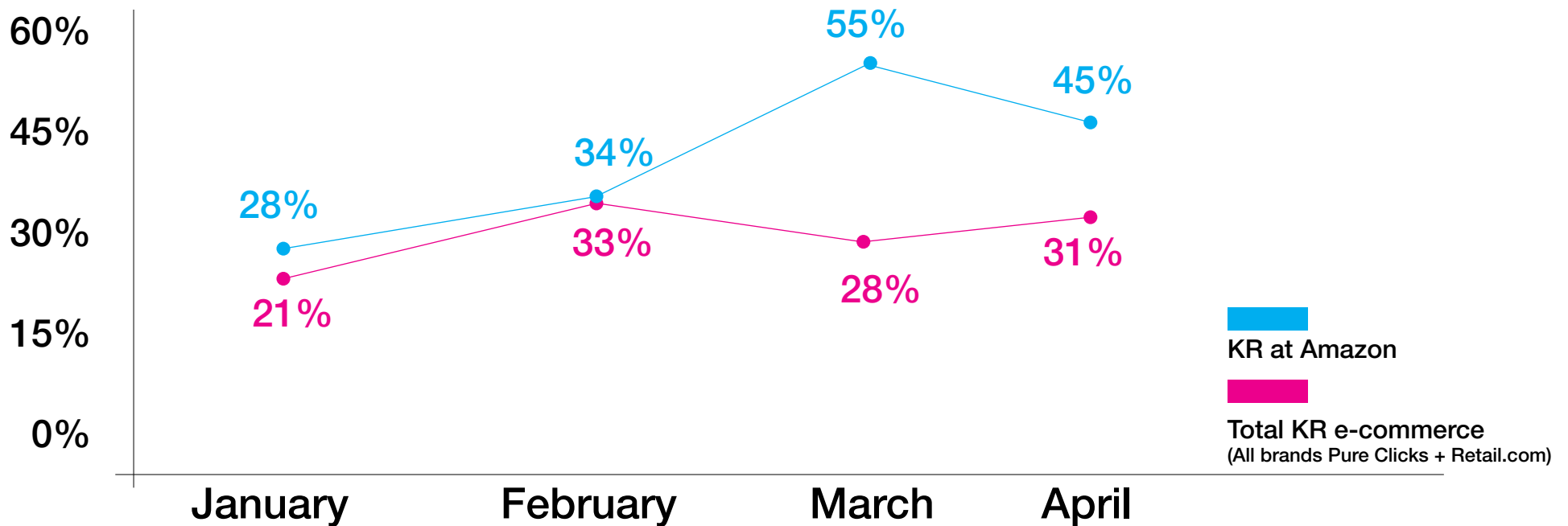
Sam's Club declines due to Men's and Women's socks
New competition: Under Armour, Reebok and Saucony



KR Ecommerce Retail Performance

(2017 YTD)

KR ecommerce performance YTD +30%, outpacing women's apparel, which grew +10, and women's legwear, which declined -4%





KR Sales Performance

Performance Summary

First Half

First half 2017, KR estimated to achieved budget, despite \$7 Million sales miss in Burlington business at Sam's Club.

Burlington miss was offset by gains in: NN 12-Pair Bag, HUE Leggings and HUE, NN tights.

2017

Current outlook for year-end 2017 assumes miss of \$14.6 Million versus budget

Miss due to Burlington Socks -\$13 Million and June & Daisy -\$2 Million

KR Sales Performance Outlook by Brand

(1st Half 2017)

		1st qtr	2nd qtr	First Half
No nonsense	Actual/Outlook	\$22,251	\$17,574	\$39,825
	Budget	\$20,745	\$17,085	\$37,830
HUE	Actual/Outlook	\$18,654	\$9,618	\$28,272
	Budget	\$15,842	\$8,726	\$24,568
Burlington	Actual/Outlook	\$5,340	\$6,146	\$11,486
	Budget	\$8,569	\$9,894	\$18,463
J & D	Actual/Outlook	\$4,192	\$442	\$4,634
	Budget	\$2,416	\$1,237	\$3,653
CK	Actual/Outlook	\$719	\$343	\$1,062
	Budget	\$496	\$302	\$798
Private Label	Actual/Outlook	\$7,877	\$3,968	\$11,845
	Budget	\$7,155	\$4,488	\$11,643
International	Actual/Outlook	\$502	\$2,682	\$3,184
	Budget	\$1,320	\$2,405	\$3,725
Total	Actual/Outlook	\$59,535	\$40,773	\$100,308
	Budget	\$56,543	\$44,137	\$100,680

KR Performance Outlook by Brand

(Full Year 2017)

		1st Half	2nd Half	Total
No nonsense	Actual/Outlook	\$39,825	\$52,561	\$92,386
	Budget	\$37,830	\$55,708	\$93,538
HUE	Actual/Outlook	\$28,272	\$55,359	\$83,631
	Budget	\$24,568	\$58,627	\$83,195
Burlington	Actual/Outlook	\$11,486	\$16,835	\$28,321
	Budget	\$18,463	\$22,995	\$41,458
J & D	Actual/Outlook	\$4,634	\$8,303	\$12,937
	Budget	\$3,653	\$11,209	\$14,862
CK	Actual/Outlook	\$1,062	\$1,168	\$2,230
	Budget	\$798	\$1,547	\$2,345
Private Label	Actual/Outlook	\$11,845	\$23,383	\$35,228
	Budget	\$11,643	\$22,213	\$33,856
International	Actual/Outlook	\$3,184	\$5,556	\$8,740
	Budget	\$3,725	\$5,555	\$9,280
Total	Actual/Outlook	\$100,308	\$163,165	\$263,473
	Budget	\$100,680	\$177,854	\$278,534



Action to Improve 2017 Performance



KR's Most Pressing Issues/Opportunities

1. Improve KR performance in all top accounts

Short-term

Sam's performance top priority

Improve retail performance in order to gain shipments.

Long-term

KR needs to add a performance sock brand to grow at Sam's

2. Protect HUE brand

Uplift brand image

Respond to upper tier demand for brands not widely distributed

Insure launch of Utopia does not damage existing HUE business

3. Expand distribution

New customers critical (low rates of growth expected among most existing customers)

Key Targets: Dollar Stores, Off Price, Costco, Kohl's, Target, CVS, Home Improvement, Pet Stores,
College Bookstores, Home Shopping

Require lower costs – Dollar Stores, Off Price, Black Friday and BTS events

4. Grow E-Commerce

YTD +30% at retail

5. Expand Brand Portfolio

Add new brands + sub brands

Improve Performance in Top Accounts

Sam's

Objective: **Achieve positive retail performance to trigger shipment growth**

2017

New Burlington Package and Tray – 10-20% lift in retail sales.

Test Burlington Men's lower pack size 8/\$8.99

Floor Ready Pallets: Father's Day, Back-To-School, Holiday

August Instant Savings Coupon on Burlington

March coupon +35% lift in retail sales

Black Friday Item

HUE Holiday item

Upside Opportunity: \$3 million

2018 Action

Add a new performance brand

Improve Performance in Top Accounts

Walmart

Objective: **Improve retail performance**

Generate incremental sales with high volume off shelf items

2017 Action

Offer 2 Black Friday items

Sock bonus packs

New Millennial tight program

Reduced leggings retails to compete with apparel

Upside Opportunity: \$3 million

2018 Action:

Expand Brand Portfolio – Introduce Blue Summit Women’s Outdoor socks.

Revitalize existing NN sock programs with new features (compression and sustainable yarns)

Place new Wellness program

Build Walmart.com business

Beyond Walmart - expand No nonsense to new distribution: Dollar Stores,
E-comm, CVS, Pet Stores, Upper Tier Food Stores.

Improve Performance in Top Accounts

Department Stores

Objective: **Protect HUE brand**

Grow upper tier through HUE brand segmentation

Improve Retail performance

2017 Action

Blogger and celebrity activation - #Choose Color (reach Millennials, “cool” factor)

Introduce The Edit by HUE for Upper Tier accounts

Test Legging Destination shop

Grow E-Commerce

Grow PLUS + Test Girls

Expand Macy’s EDV program.

Upside Opportunity: \$1 million

Beyond department stores - Expand brand distribution: Stitch Fix & other ecomm, College Book Stores, Francesca’s, Home Shopping, Kohl’s, Target, Costco, Off Price

Improve Performance in Top Accounts

Off Price

Objective: **Grow from \$11 to \$13 Million.**

2017 Action

New accounts (Ollie's)

New package and expanded product assortment

More competitive pricing

Build on Strong Performance

E-Commerce

Objective: **Continue to drive double digit growth**

2017 Action

New subscription account – Stitch Fix #1 subscription in US.

Marketing investment at Amazon

Amazon assortment expansion HUE + NN

Launch HUE Girls + NN Men's Amazon.

#Choose Color Blogger & celebrity Activation Amazon, all retail.coms and hue.com

Growth Plan

(\$ net sales)

2016	2017	2018	2019
\$14	\$18	\$25	\$32

Build on Strong Performance

Food & Drug

Food

Strong performance due to new product

Continue Incentive Programs

Continue promotion to drive business at retail

2018 Create new program for Upper Tier Food (Whole Foods, Sprouts)

Drug

Walgreens top KR account performance

Rite Aid space and sales expanded

Work to gain placement in CVS

Medical compression sock

Wellness program

Seasonal items

Distribution Expansion

Place	Brands	Timing
Kohl's	Utopia by HUE	Fall '17
Target	Utopia by HUE	Fall '18
College Bookstores	The Edit by HUE	Fall '17 Test TBC
Francesca's	HUE	Fall '17 Test
Subscription (Stitch Fix)	HUE	Fall '17
Home Shopping (QVC+HSN)	HUE	Fall '17 Test
Costco	HUE	Spring '18 Test
Dollar Stores (Family Dollar)	Easy Style by No Nonsense	Fall '17 Test
Pet Stores (Pet Smart)	No nonsense	Fall '17 Test TBC
Upper Tier Food	No nonsense	New Program Fall '18
CVS	No nonsense	2018
Home Improvement (Menards + Tractor Supply)	Blue Summit	Fall '17

Brand Portfolio Expansion

KENDALL + KYLIE

In Progress 2018

HUE

The Edit by HUE
Our designers dreamed big
for our curated new collection.

New 2017

HUE

Utopia by HUE

New 2017

No nonsense®

No nonsense®

E A S Y
S T Y L E

BY
No nonsense

New 2017

Blue
SUMMIT
BY INTERWOVEN
AMERICAN MADE SOCKS SINCE 1905

New 2017

tbd
new performance
sock brand

Look for 2018

Potential Upside to Current Outlook

Walmart 2nd Black Friday Item	\$3 million
Sam's 2nd HUE Holiday item	\$500,000
HUE Stitch Fix	\$450,000
Sam's Retail Performance Improvement	\$3 million
Pet Smart Item	\$500,000
Improved WM & Department Store Retail Performance	\$2 million
<hr/>	
Total	\$9 million