



PRESS COVERAGE

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BuyingUnderwear.com

BY BRENNER THOMAS

Men's underwear, long relegated to discreet cartons hidden away in department stores, is making a new and dynamic name for itself as a wired commodity. As underwear sales in mass merchant and department stores stagnate, the online market is booming, up nearly 43 percent in the last year to \$189 million, according to The NPD Group. Compare that with the growth of the category overall: a respectable, but not outstanding, 9 percent.

E-tail pureplays, which don't include sites with a brick-and-mortar presence, like Macys.com, make up only 5 percent of the \$3.6 billion industry, but the demand for fashion styles and boutique brands has created new online players in a market dominated by Big Retail.

One of the largest players is Freshpair.com, a Web-only underwear site founded in 2000 that boasts more than 50 full-time employees. The store, which generates 50 percent of business from men's tops, bottoms and swimwear, carries major brands, including Hanes, Champion, Perry Ellis and Calvin Klein, but the balance of its 20,000-SKU men's inventory comprises relatively new boutique, fashion-oriented brands, like C-IN2, Baskit and Papi, that specialize in technical fabrics, sexier cuts, and whimsical colors and fabrics.

Freshpair president Michael Kleinmann says fashion underwear accounts for only 20 percent of sales, but it's this segment of the market that separates his business from department stores, which traditionally invest in more conservative styles and well-known brands that have mass appeal.

The Web has a clear advantage over brick-and-mortar operations in capturing this market, says Marshal Cohen, NPD's chief industry analyst. Given the limitless shelf space online, Web sites like Kleinmann's can stock both the three-pack white brief from Fruit of the Loom and the wild animé-print trunks from aussieBum, offering something for everybody.

Web retail also provides shoppers with two other commodities guys like: privacy and simplicity. "We've got the consumer looking for more-fashionable underwear, and because of that he is not necessarily comfortable shopping in a retail environment," says Cohen. Underwear, with its uncomplicated sizing, also lends itself to the Web. If you're a medium in one brand, you're likely a medium in the next. "It's probably easier to sell [on the Web] than anything else," says Cohen.

The Web has allowed small players, like Andrew Christian, to stake a spot in the market. The L.A.-based company, which makes sports-inspired styles, has become a rising star in the niche underwear market. Its line of briefs and low-cut boxers was only introduced last year and the category has quickly grown to 60 percent of the business thanks, in part, to an aggressive online marketing strategy. "People are willing to be more daring in the styles of underwear they wear," says Christian. "Our whole approach is treating underwear as streetwear."

Half of Christian's underwear sales come from the Web—both his own site, AndrewChristian.com, and other online wholesale partners. "Underwear is the big seller on [AndrewChristian.com]," he continues. "I think people are a little more comfortable ordering underwear over the Internet."

C-IN2, a brand that straddles the niche and department store markets, still sees most of its sales

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PRESS COVERAGE

come from its big retail partners like Nordstrom, Bloomingdale's and Saks, but chief operating officer Jason Zambuto says the online business is growing. "The great thing about online stores is that they move stock. We see more aggressive sell-throughs," he says, adding that e-tail now generates 20 percent of C-IN2's business.

Niche brands and Web-only retailers aren't the only ones netting gains. Big brands, like Jockey and Calvin Klein, are harnessing the power of the Web as well.

Jockey.com launched holiday 2000 with 800 SKUs for men and women. The site now sells more than 400 styles and 6,800 SKUs with sales nearly doubling in 2006. Like other e-tailers, Jockey.com offers its customers items they may not find on the department store floor. Chris Smith, vice-president of Jockey.com, says a nylon tricot line the company discontinued was brought back via the Web site due to customer requests. "Some legacy products have loyal consumers and weren't getting placed," he says.

Cku.com, Calvin Klein's retail underwear site, launched in 2005 and has continued to best company expectations, doubling sales in 2006. "The potential [of e-tail] is tremendously important," says Kay LeGrange, president of Calvin Klein underwear. "So much of the men's business is about stocking up, and the Web makes replenishment easy."

Calvin Klein and Jockey do not report on the revenue generated by their respective Web sites. Both companies deny that their Web sites put them in direct competition with their online wholesalers, like Freshpair. Smith says Jockey.com sells its goods at suggested retail. "We're not competing on price," he says. "If anything, our partners benefit from the information we collect on our site."

It's well known that Web sites are great tools for mapping consumer behavior. Proprietors can track how long customers shop, their purchase patterns and even some demographic information. Web sites also serve as a testing ground for new merchandise. Jockey had long bundled underwear into three-packs but wanted to test a six-pack. It placed the six-pack on the site in 2005, and the positive response led to a national rollout the following year.

Cku.com has proved similarly fertile for product testing. The company tested the Naked Thong for women on the site before shipping it nationwide—a strategy, LeGrange says, that aids its retail partners. "Testing will motivate the consumer to purchase," she says. "There's less potential for markdown."

While the big brands see e-tail as a supplemental revenue source and research tool, the competition among new e-tailers and start-up fashion brands is heating up. Even Jason Scarlatti, creative director of 2(x)ist—an established brand with a major department store presence—feels the pressure. "I get very nervous when I see another brand launching," he says. "[Businesses] come and go in this industry. It's very competitive."

The company fights off newcomers by launching new lines twice a year. "We're positioning 2(x)ist to be a seasonal underwear business," says Scarlatti. "We always want to give the customer a reason to go to the floor."

Poaching is a problem among e-tailers. Given the Web's instant access, vendors complain that competitors steal ideas. "Everyone sees what you're doing in real time," says Freshpair's Kleinmann. "If you do something in your site, they do it too."

Kleinmann says he's seen other underwear e-tailers market sales around National Underwear Day, an event Freshpair created and trademarked in 2003. "You have to assume that everyone knows everything about what you're doing."



PRESS COVERAGE

One defense is to aggressively update both the inventory and look of the site. Kleinmann says the images on Freshpair's landing pages are changed almost daily.

In the lightning-fast evolution of the Web, staying current is a must for the new crop of online retailers. Undergear, a men's underwear and swimwear catalog owned by Hanover Direct, just relaunched its Web site in January. "The original site was very generic. It didn't really show the brand's personality," says Robin Baskin, Hanover's vice-president of e-commerce.

The new site, which sells many popular niche fashion brands, as well as the site's eponymous label, features lifestyle content, updated design and cleaner navigation. "Given that 60 percent of the orders come through the Web, the site's appearance is crucial," she said.

Undergear.com, which has seen double-digit growth in the last year, also received an additional boost from the redesign. Baskin reports that between the first quarter of 2006 and first quarter of 2007, conversation rates jumped 20 percent and shopping cart abandonment, which often occurs if point-of-sale is too lengthy or confusing, fell 14 percent.

"The Internet has changed this business," said Jean Jones, Hanover's vice-president of marketing. "The catalog is really just a marketing vehicle now that prompts the customer to go online."

Given the impending postal rate increases in May, Jones would welcome the day when Undergear could be a Web-only business. "But I don't know anyone in the direct-marketing business that knows how to get rid of paper yet," she says.

With the way that the Web has already transformed the industry, perhaps that day won't be far off.

About Freshpair.com

Freshpair is a leading internet retailer of men's and women's intimate apparel, offering hundreds of styles of bras, panties, shapewear, t-shirts, boxers, briefs, trunks, socks, sleepwear and more. From petite to full-figure, shapewear to thongs, boxers to briefs and everything in between, we are the ultimate destination for intimate apparel shopping. Freshpair.com carries a wide selection of the major brand names for men and women including: 2(x)ist, C-IN2, Calvin Klein, Wacoal, Chantelle, Le Mystere and Bali.