

Retail



The slowdown at retail first experienced during the second half of 2007 continued throughout 2008, resulting in comparable store sales declines of a combined 6% for the year for our heritage outlet retail store divisions and flat comparable store sales for our Calvin Klein outlet retail store division.



In response to the difficult economic environment, we took a number of actions to reduce the volatility and improve the profitability of our outlet retail business, including closing our Geoffrey Beene outlet retail store division and announcing an impairment charge covering approximately 200 retail stores, along with our intention to close 40 to 50 of these stores per year over the next three to four years.

IZOD

Calvin Klein

Bass
CH. BASS & CO.

VAN HEUSEN

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Van Heusen – The brand’s lifestyle presentation was adjusted to reflect the economic environment by placing a greater emphasis on key items coupled with a strong price/value message to the consumer. Aggressive sales promotions improved sales performance but negatively impacted gross margin. These actions also allowed the chain to end the year with lean inventories, appropriate as negative trends continued into 2009.

IZOD – Our stores feature the brand’s active and active-inspired product, centered around a golf lifestyle. This focused presentation enabled us to achieve gross margin improvement in 2008, despite the difficult environment. Heightened promotional cadence and communication of a strong value message allowed our Izod outlet retail store division to be the only division to achieve positive comparable store sales in the fourth quarter.

Bass – In 2008, Bass introduced a new lifestyle offering called *Bass Earth*, encompassing a more outdoor-inspired look and featuring a variety of eco-friendly features. The new assortment can be found in men’s footwear, apparel and accessories and will be expanded to include women’s footwear in 2009. As with our other heritage outlet retail store divisions, Bass aggressively managed inventories, with average store inventory down 13% in 2008 versus 2007.

Calvin Klein – Following a very strong year of double digit comparable store sales growth in 2007, our Calvin Klein outlet retail store division continued its strong performance through the first nine months of 2008. The strength of the *Calvin Klein* brand, however, could not insulate the division from the slowdown in consumer spending, and comparable store sales performance turned markedly negative in the fourth quarter. We are converting 18 *Geoffrey Beene* store locations to the *Calvin Klein* format. During 2008, we opened five additional *Calvin Klein* specialty stores in premier malls, ending the year with 10 specialty stores in the U.S.

E-Commerce – In August 2008, Calvin Klein launched *calvinklein.com*, its U.S. e-commerce website, to expand its retail presence and as a means of showcasing the complete *Calvin Klein* lifestyle, including apparel, footwear, accessories and home products.