Survey shows US brands are 202% dearer than Primark

By Matthieu Guinebault - June 8, 2016

The Primark retail label was in the news in Europe, notably in France, and now it is being acknowledged in the USA. Morgan Stanley has published a survey establishing that Primark’s local competitors are 202% more expensive.

Only Walmart seems to be able to compete in pricing terms with Primark, though its prices are still 36% higher than those of the Irish group. Old Navy is particularly exposed: for a long time, the low-cost retailer was the Gap Inc. group’s only growth factor, but its prices are twice as high as Primark’s.

Primark arrived in the USA in September 2015 and currently operates two stores, in Boston and Philadelphia. Six further openings are in the cards for the rest of the calendar year in the US, while an additional one is already planned for 2017 in New Jersey: something for local competitors to worry about.

Primark has a rather uncommon business model: its suppliers are the same as its competitors’, but Primark cuts manufacturing costs through massive orders, and offers the products for sale at very low prices, earning only a slim margin. The model eventually relies on the quantity of goods purchased in Primark’s large stores, which become shopping destinations.

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While sales for its parent company, Associated British Foods, are shrinking, Primark has kept on improving in its latest fiscal year, ended on 12th September. The retailer's sales were in fact up by 13% at constant exchange rates, and by 1% in like-for-like terms.

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