

# DSN Retailing Today

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## Five Below is retail mecca for shoppers 15 and below

BY MIKE DUFF

SOUTH PLAINFIELD, N.J. — *Extreme* is a word currently associated with young people, and two merchants who are familiar with the young shopping dynamic are bringing extreme-value retailing to tween and teen consumers. To do so, they created a retail concept that is suited to a group of consumers with a lot of money to spend, a little at a time.

Extreme-value retailing is usually associated with lower-income populations, but the founders of Five Below realized that another group of consumers is out there with large spending potential overall but limited discretionary income as individuals, and it wasn't being addressed by major chain retailers. So, three years ago, they launched Five Below to capture the dollars spent by kids 10 to 15 years old in the United States. According to some estimates, teens have between \$150 million to \$200 million in annual spending potential.

In early November, the company

opened 11 stores, adding almost a third to its store base. In total 47 units are available to youngsters with a few dollars to burn.

Tom Vellios, president and ceo, pointed out that between toy stores and adult-oriented retailers, many 10- to 15-year-olds don't have a store that they can call their own, one that concentrates on their specific needs and spending patterns. Toys "R" Us is fine for younger children, but is bound to lose its appeal as they mature. Newbury Comics—not to mention the youth-oriented fashion chains like Hot Topic—may appeal to older teens, but are not appropriate for the kids Five Below wants to serve.

"Something had to fill the void ... when the old five and dimes went out of business," Vellios said. "Here's an opportunity to try and offer a destination for teens and preteens to go to."

The price points and assortment were geared to how youngsters spend the money in their pockets—that is, a

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Five Below, an extreme-value retailing store aimed at tweens ages 10 to 15 years old, has an assortment of items all priced at \$5 or less.

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few bucks at a time. The store offers everything from costume jewelry to video games to sports equipment to snacks with nothing costing more than \$5. Games and toys are a major part of the presentation and trendy but inexpensive apparel items are included. Popular room decor products including posters are offered as well. Other product categories include fashion accessories, stationery, arts and crafts supplies and electronic accessories such as those for the popular iPod mp3 player—in other words, pretty much every segment where a youngster considers spending money.

Five Below isn't alone in regarding tweens and young teens as representing an opportunity. "I think it's a fantastic concept," said Renee Roman, a market specialist for consultants Donegar Group. "There is definitely a niche for it. There are stores for older kids and younger, but this fills a void."

Vellios said that assortment is the product of extensive research, a process that is ongoing as Five Below strives to stay on trend with teens. Once the most attractive product categories were determined, the company had to pare things down to fit in the designated space. "We did a ton of edit-

ing," Vellios said.

Basically, according to David Schlessinger, cofounder with Vellios, Five Below emphasizes consistency in designated categories, but having trend right products—including the right licenses and brands—when they're hot is the key. "We look at the sourcing operation as opportunistic," he said.

The 11-store opening effort comes after Five Below got a \$20 million equity commitment from LLR Partners and affiliates that will enable Five Below to achieve its objective of growing to 100 stores in the Virginia to New York corridor over the next two years.

Co-founders Vellios and Schlessinger created and developed the Zany Brainy retail concept into a 200-store chain, and are familiar with retailing to young people. At the opening of one unit in South Plainfield, N.J., Schlessinger said that the store fell into line with the prototype the company plans to use in the expansion, which will occupy 4,000 square feet to 5,000 square feet of space. Within those confines, he said, the company can create an assortment that gives young people an exciting place to spend their money. "We want to delight them, to exceed expectations," said Schlessinger. ■