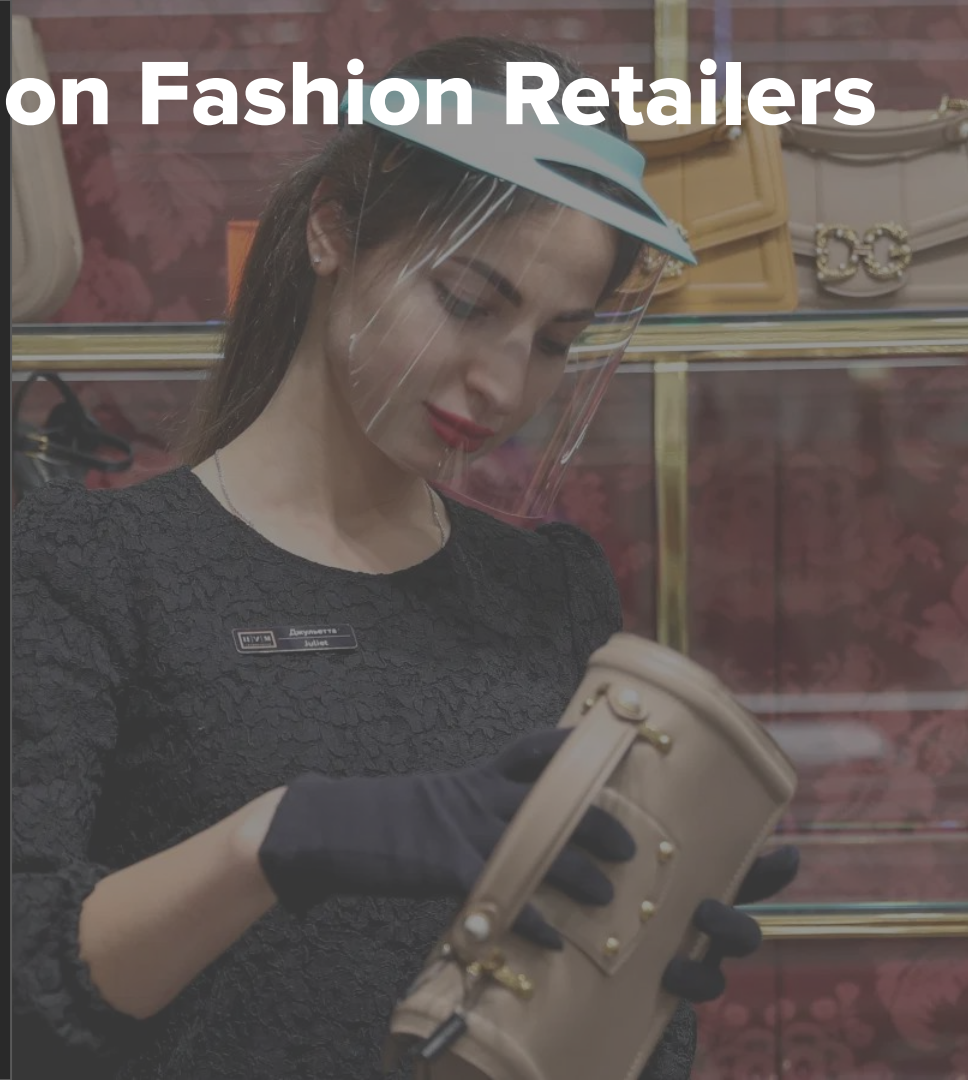


Impact of COVID-19 on Fashion Retailers

Prospects in the new normal and wider industry trends.

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Agenda

Fashion in the
new normal

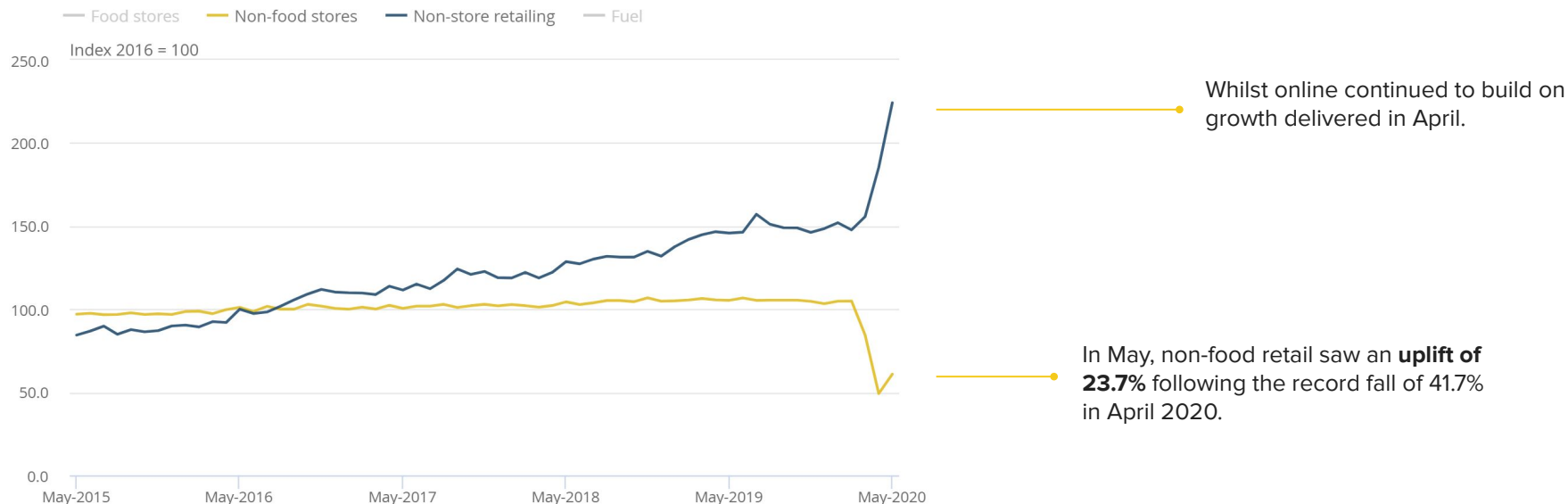
Industry trends

Summary



1 Fashion in the new normal

Some signs of retail recovery in May



ONS, Retail sales Bulletin, Great Britain: May 2020.

But online can't plug the gap left by stores

Table 2: Sector summary for online sales, May 2020
Value seasonally adjusted, percentage rates, Great Britain

Category	Index categories and their percentage weights	Month-on-month growth	Online sales as a proportion of retailing (May 2020)	Online sales as a proportion of retailing (April 2020)
All retailing*	100.0	19.7	33.4	30.8
All food	12.0	21.1	11.3	9.4
All non-food	35.2	16.3	41.5	44.4
Department stores	7.9	-3.8	31.2	36.8
Textile, clothing and footwear stores	12.2	25.2	49.4	46.6
Household goods stores	6.6	7.3	41.6	55.6
Other stores	8.5	38.3	47.3	43.3
Non-store retailing	52.8	21.9	75.2	74.4

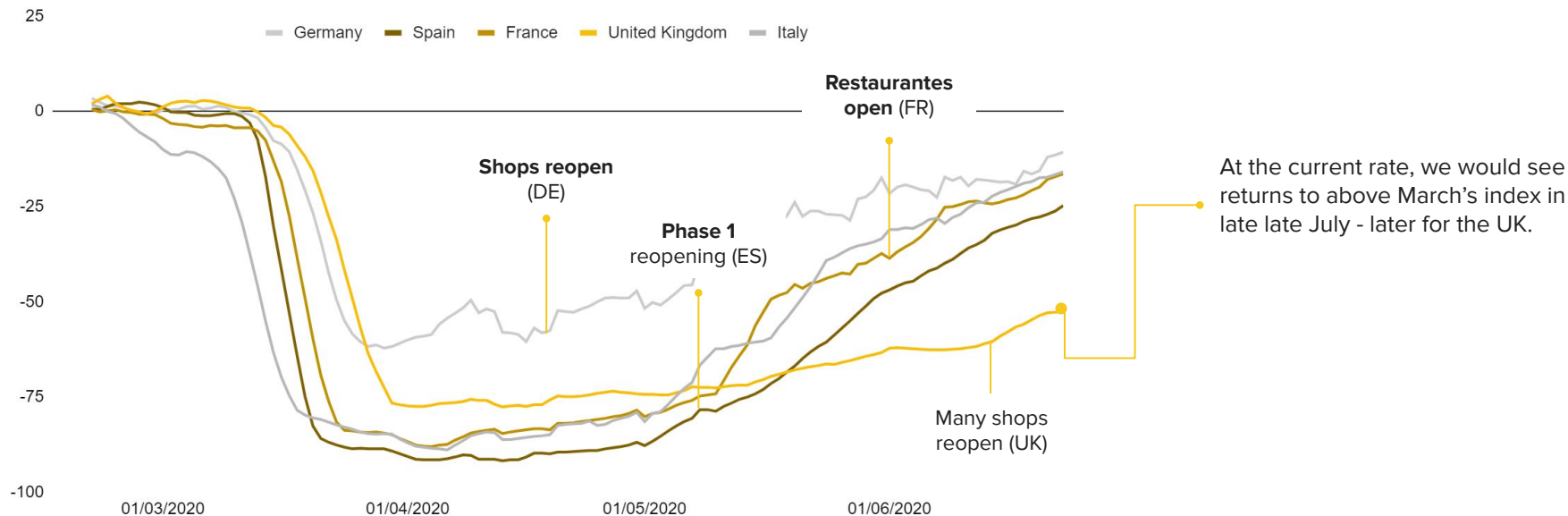
Though increasing MoM, as of May online sales were still **under half of total**.

Source: Office for National Statistics - Monthly Business Survey - Retail Sales Inquiry

UK high streets remain a step behind the EU

Google Mobility Data, Indexed Footfall to Retail Sites.

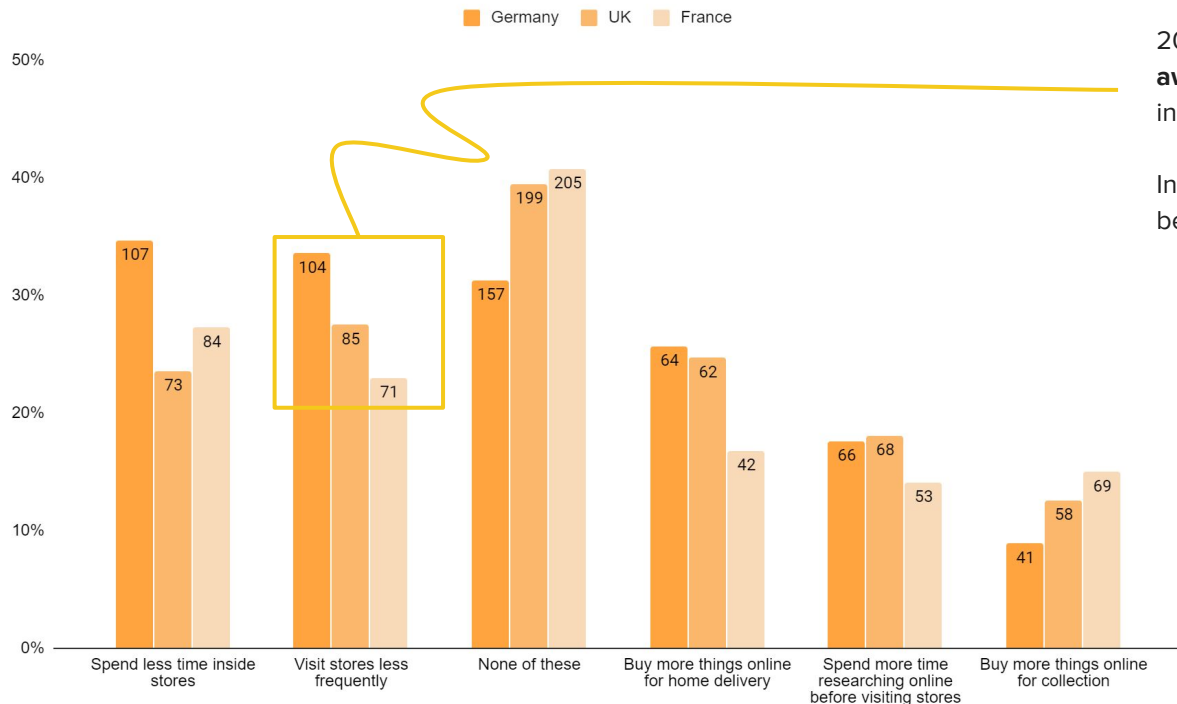
7d Rolling Average.



Many consumers may resist stores in future

Attitudes towards stores post lockdown, GlobalWebIndex.

%Audience (Bar value indicates index vs population avg.)



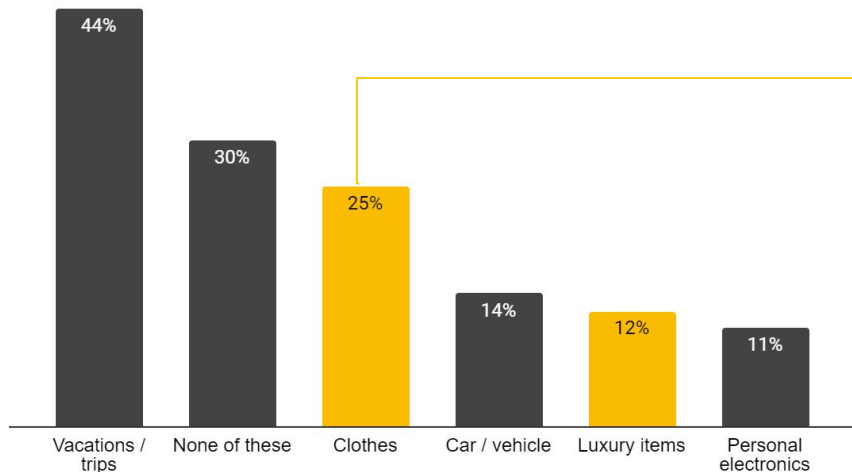
20-35% of consumers say they will **move away from store shopping** - a strong trend in core European markets.

In this model, cheap and reliable delivery becomes more important.

Delays for fashion purchases can also be expected

Only travel is more impacted than clothing, though the impact is less felt for luxury retailers.

%Audience delaying purchases, Global Web Index, UK.



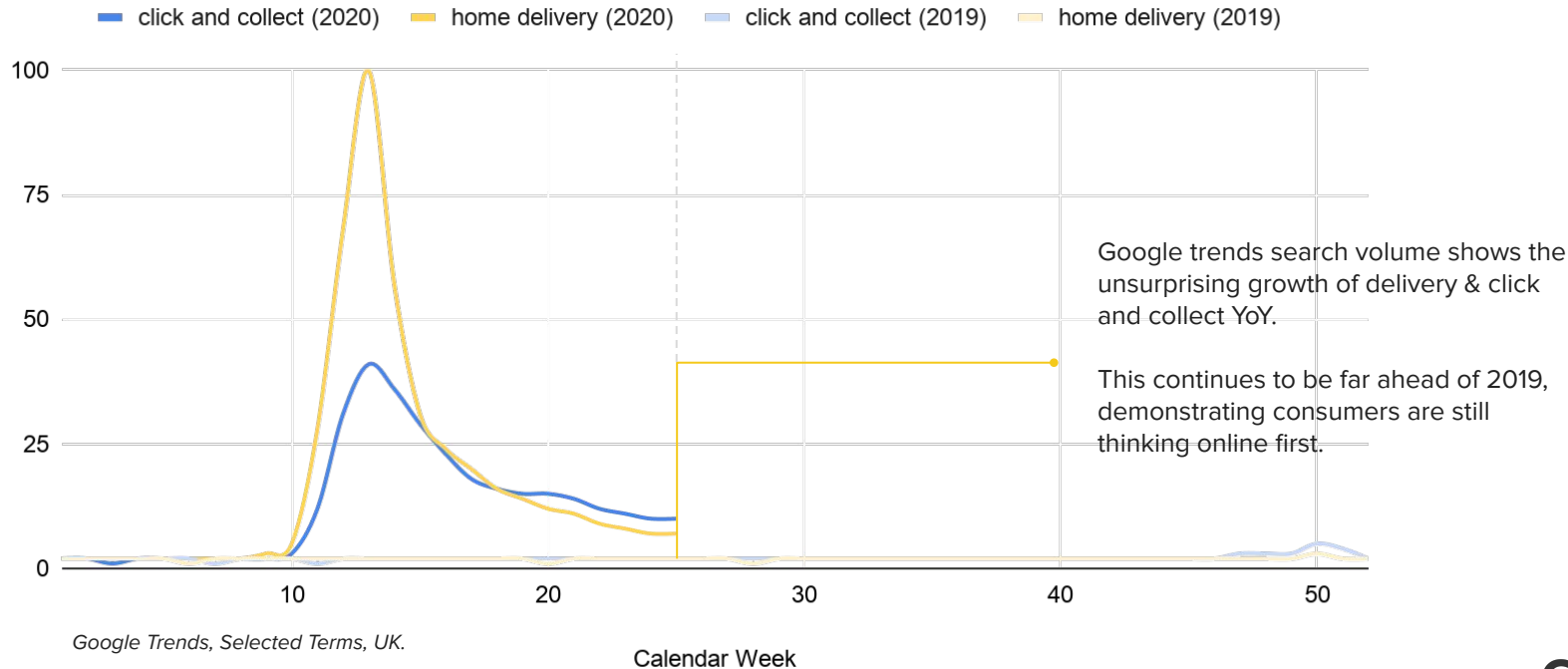
Of the 25% who have chosen to delay clothing purchases until pandemic pressures ease, delay times vary but are not promising:



72%

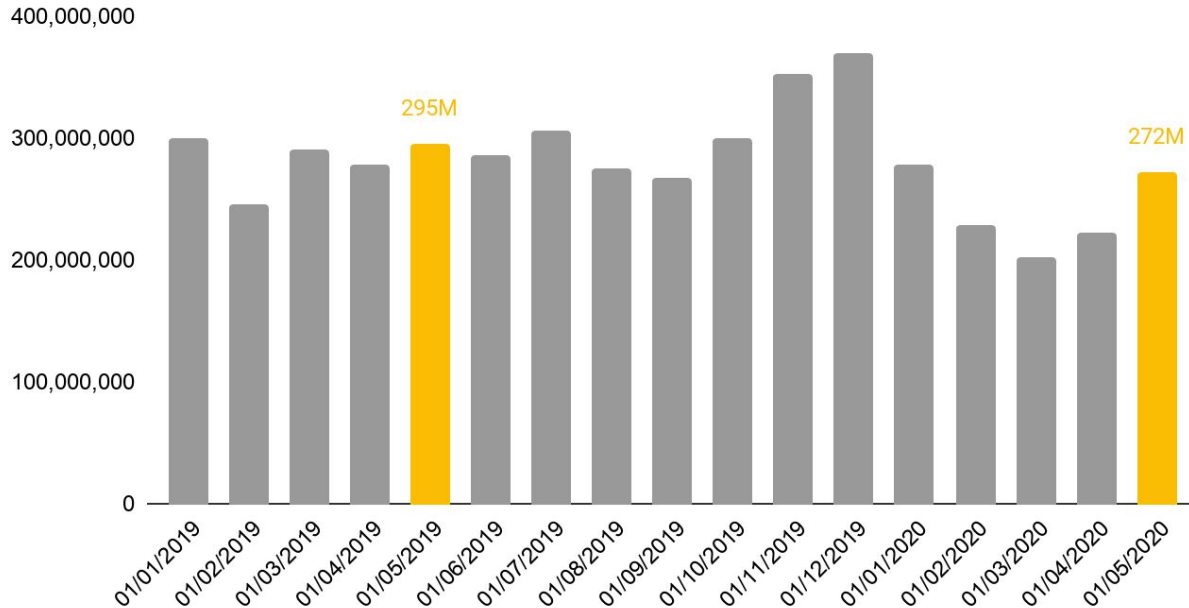
Uncertain, or waiting until the outbreak is over, at least domestically.

For those shopping, digital remains the primary option



Online visits for the Fashion web category remain slightly down YoY

Web Visits, Fashion & Apparel Web Category, Similarweb, UK.

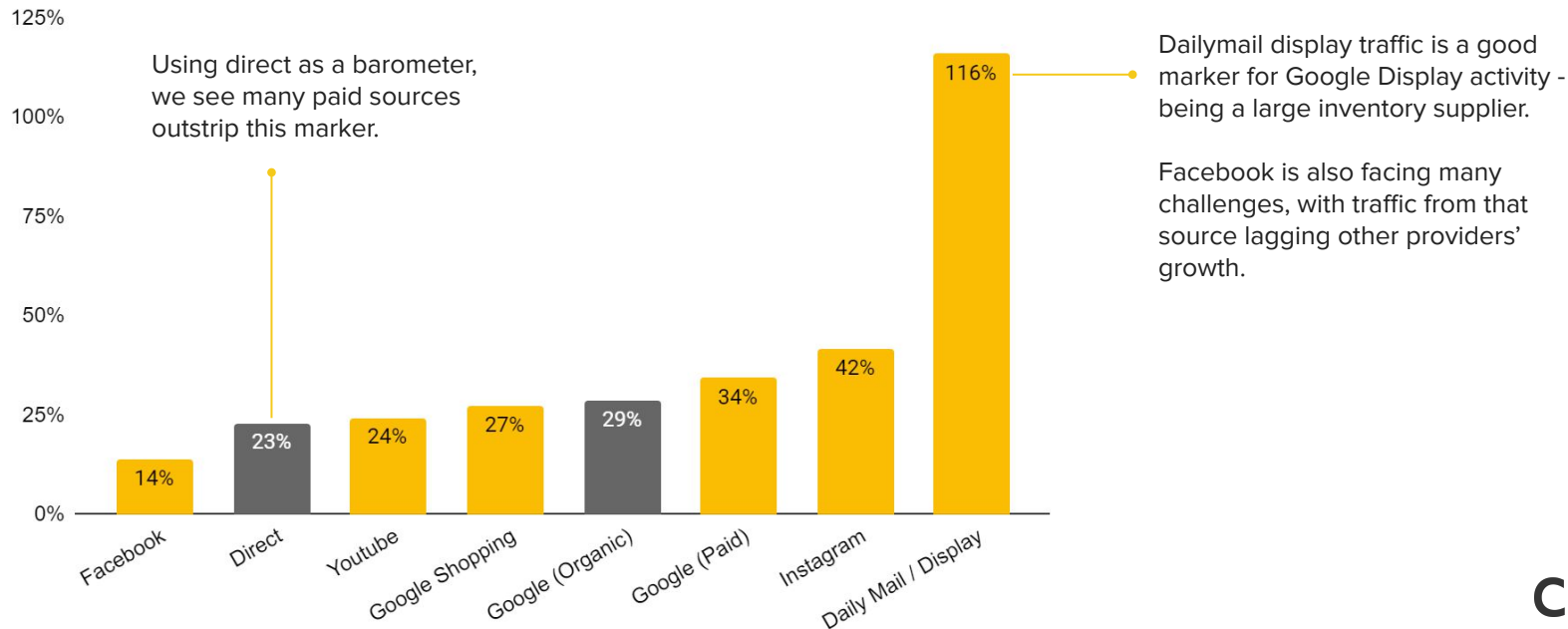


Though down 8% for May YoY, visits showed growth vs April (+22%).

Paid advertising competition is beginning to heat up again

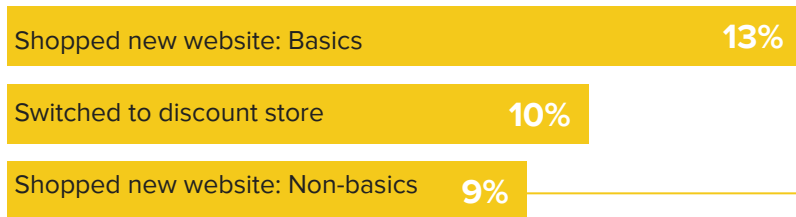
Web Traffic to Retail & Apparel from the following sources, SimilarWeb.

May vs April, %Change.



There is opportunity to grow market share

McKinsey: Survey: UK consumer sentiment during the coronavirus crisis.



Of those who have shopped with a different non basics site since the beginning of the pandemic, **69%** intend to continue shopping with the new brand.

Three Takeaways



Digital first is a must.



As stores remain a barrier for consumers and the UK lags behind, companies need to push their digital volumes as fast as possible.

Competition is back on the rise.



We saw brief respite in March/April with media cost metrics declining, however May was a return to market for many firms - this is likely to accelerate through summer.

Market share is up for grabs.



This is a genuine opportunity to win market share - some consumers shop online for the first time, all consumers now treat it as the first option. Those with smart acquisition strategies and a compelling consumer experience will see strong growth.

Who's doing this well?

Zara have already signalled their intention to push online sales beyond the pandemic and look to redefine the role of stores.

Closures are expected, however the stores that remain will play a different role, “fitted with all the latest sales integration technology”.

This likely means:

1. Responsive supply network capabilities, focused on quick delivery response.
2. High performing stores remain, giving shoppers the ability to view merchandise and order directly online.
3. A push toward localised marketing support, complementing the consumer's local store network.

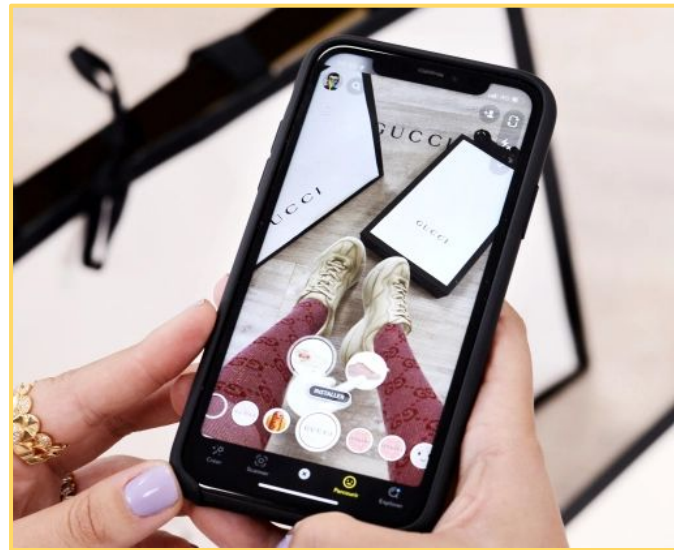


And in luxury fashion?

Traditionally later to the game than many “fast fashion” brands, many luxury fashion houses are also making the move to online.

Excess inventory could become a reality for many brands, with many needing to shift stock fast. For some that may mean increased collaboration with marketplaces such as Farfetch, but luxury brands such as LVMH will also be pushing their own marketplace 24 Sèvres.

Social could rise in importance as a distribution channel. APAC is ahead of the curve in this regard - fashion sales through **WeChat** grew 159% between January and February (the peak of China’s outbreak), according to Business of Fashion.



Gucci recently invested in an AR lense within Snapchat to allow consumers to try on shoes from home - looking to capitalise on a shift towards social media.

A photograph of a person's legs from the knees down, wearing light-colored high-heeled pumps and holding a dark handbag. The image is overlaid with a semi-transparent dark rectangle. Inside this rectangle, a large white number '2' is on the left, and the text 'Retail and fashion trends' is on the right, underlined with a short yellow line.

2 **Retail and fashion trends**

Three trends to consider

1. Consumer media habits

2. Sustainable fashion

3. Experiential fashion



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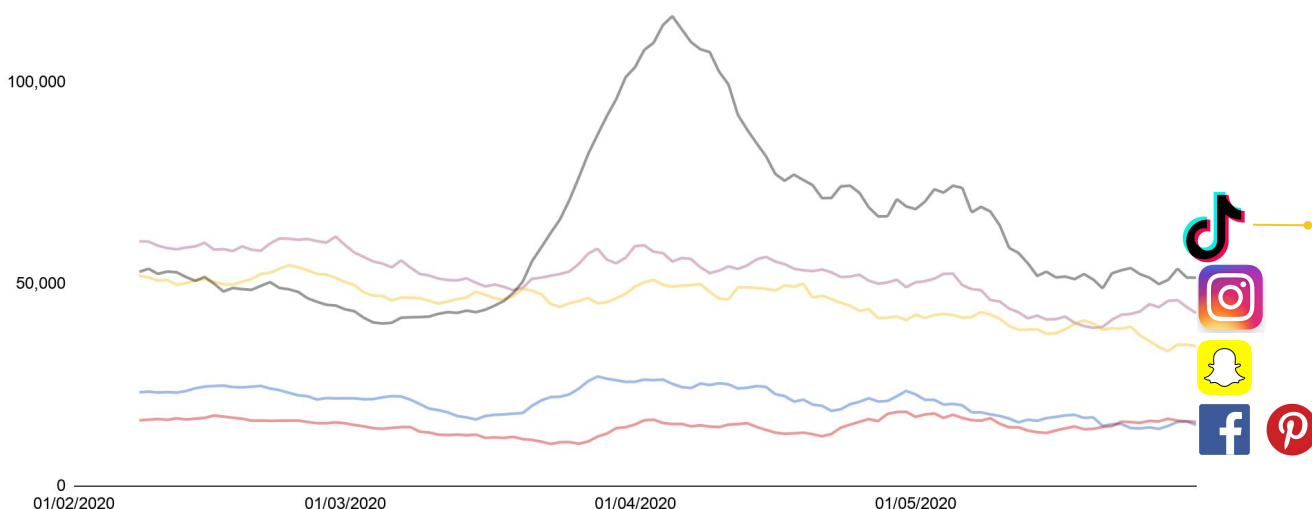


Consumer media habits

Lockdown prompted huge changes in media consumption

Social as a category was a key example of this.

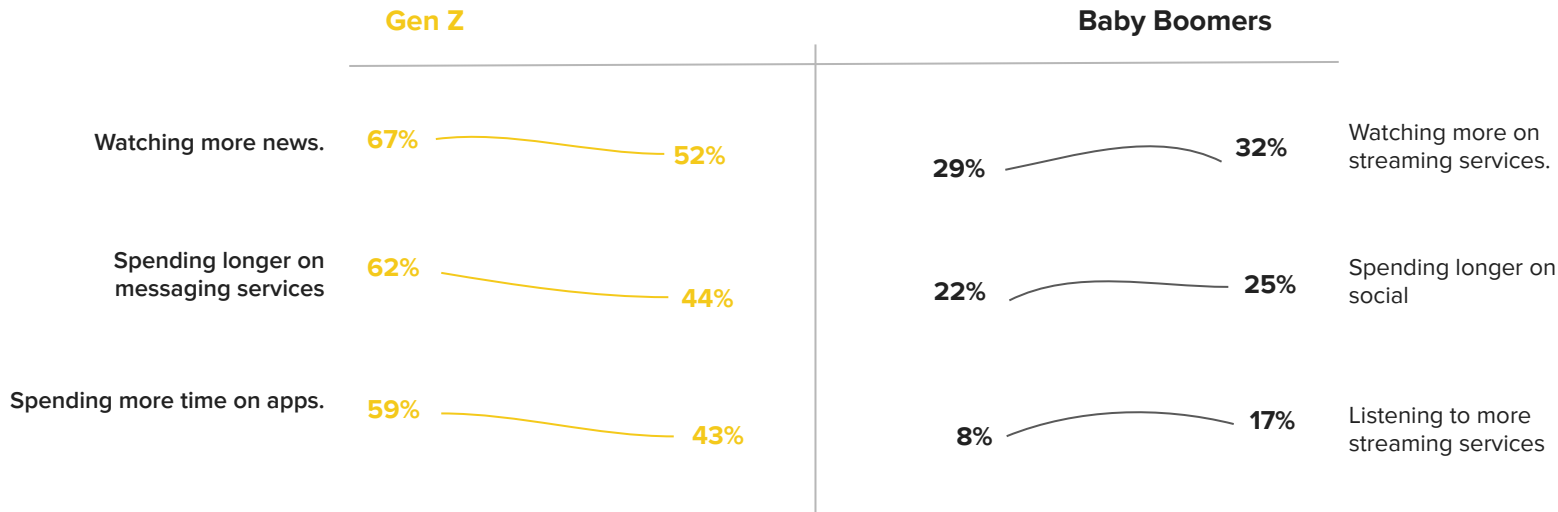
App Downloads, 7d moving average, Similarweb, UK.



Explosion of downloads and big uptick in usage of **TikTok**, whilst more establish platforms such as **Facebook** suffer from falling downloads and **Pinterest** sees usage declines.

Some habits have more staying power

And this generationally. Coming out of the pandemic and with a long term shift to home, how can we expect media habits to evolve?



Early excitement from Gen Zs has cooled off - particularly regarding news & time on apps.

Older generations, on the other hand, have leaned into their trends and continued to show adoption of digital.

Digital adoption has been accelerated during the pandemic, but expect this to slow, and even for there to be some regression in the short term.

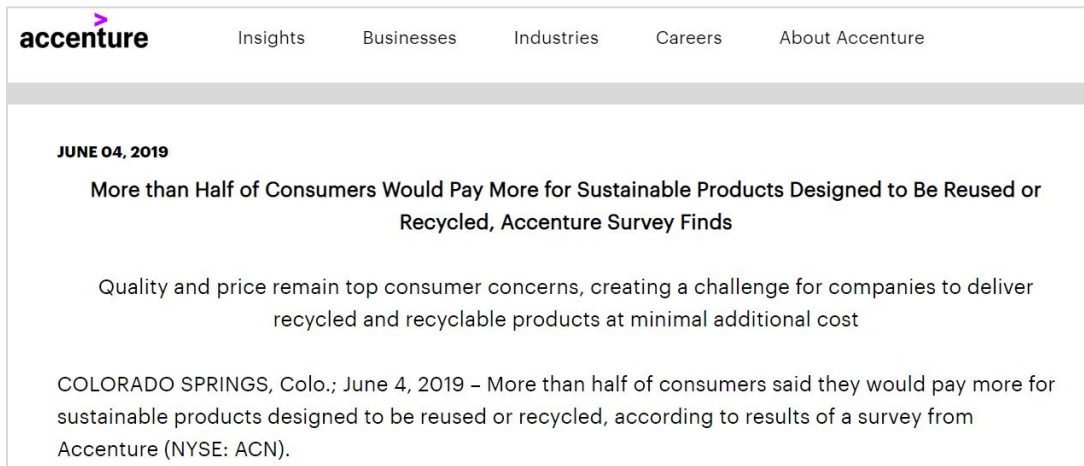
A row of various dresses hanging on wooden hangers. The dresses feature different patterns including stripes, polka dots, and ruffles. The colors are primarily white, blue, and yellow. The background is slightly blurred, suggesting a retail environment.

Sustainable Fashion

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Sustainable and responsible fashion first

Brands are working to make items more ethical throughout the supply chain, whilst consumers are increasingly conscious of sustainability.

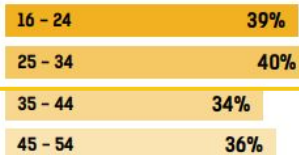
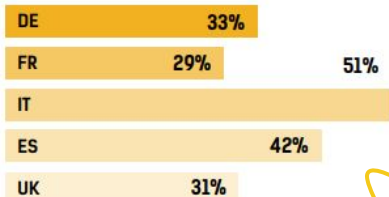


The screenshot shows the Accenture website header with navigation links: Insights, Businesses, Industries, Careers, and About Accenture. The main content area features a date stamp 'JUNE 04, 2019' followed by the article title 'More than Half of Consumers Would Pay More for Sustainable Products Designed to Be Reused or Recycled, Accenture Survey Finds'. Below the title, a paragraph states: 'Quality and price remain top consumer concerns, creating a challenge for companies to deliver recycled and recyclable products at minimal additional cost'. The final paragraph reads: 'COLORADO SPRINGS, Colo.; June 4, 2019 – More than half of consumers said they would pay more for sustainable products designed to be reused or recycled, according to results of a survey from Accenture (NYSE: ACN)'.

Many consumers will be looking for so-called “investment” pieces — minimalist, last-forever items, that feel more responsible given the state of the world.
Business of Fashion

As populations now grow older, the consumption might shift to differently positioned brands as consumers are sold up to more premium brands or put less emphasis on following the latest fashion trend.
Statista

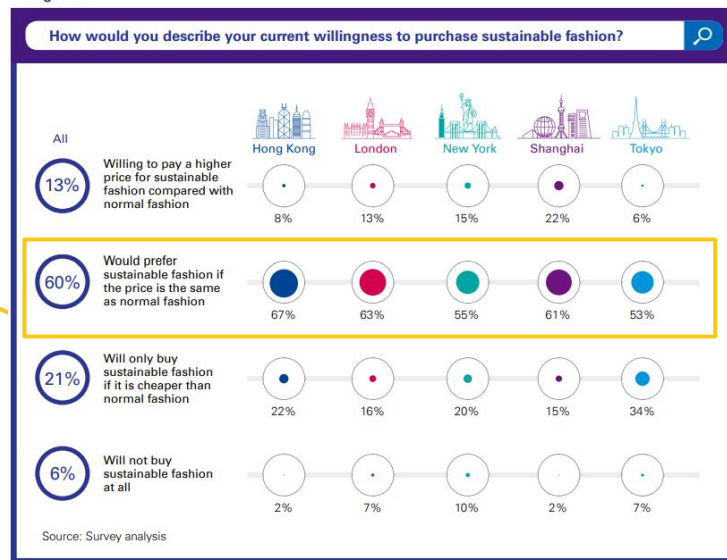
Younger consumers are key eco-advocates



Millennial and more affluent groups are more likely to survey to the importance of sustainable fashion.

However, price is still important, with many not willing to pay a higher price for sustainable clothing.

Figure 5

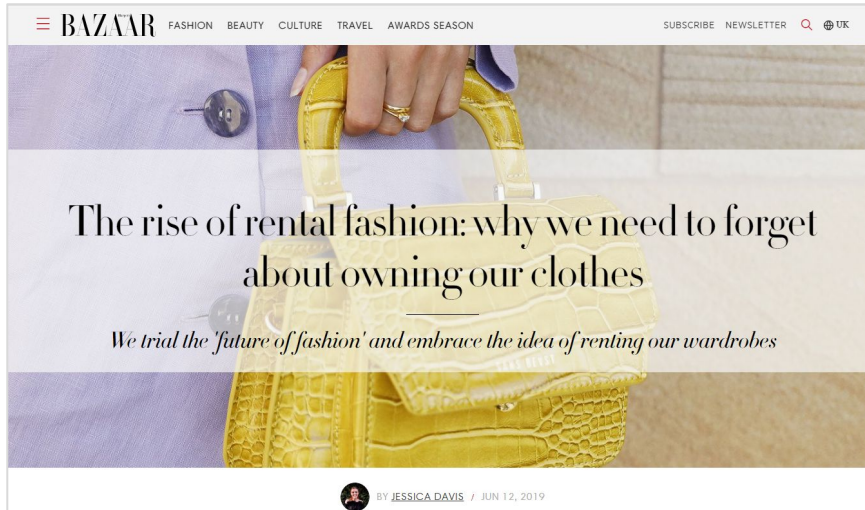


Growth in demand for recycled and second hand clothing



“More than half of respondents to a UK survey had bought used clothes in the previous year, and a fourth indicated that they would buy more if the choices improved. Two-thirds said they would consider participating in retailer buy-backs. Pulse of Fashion

With rental clothing another rising trend



A recent survey conducted by Westfield Shopping Centre in London also proposed that clothing rental would become a key future trend. The possible value of the clothing rental market in the UK is predicted to be £923m

WorldEconomicForum

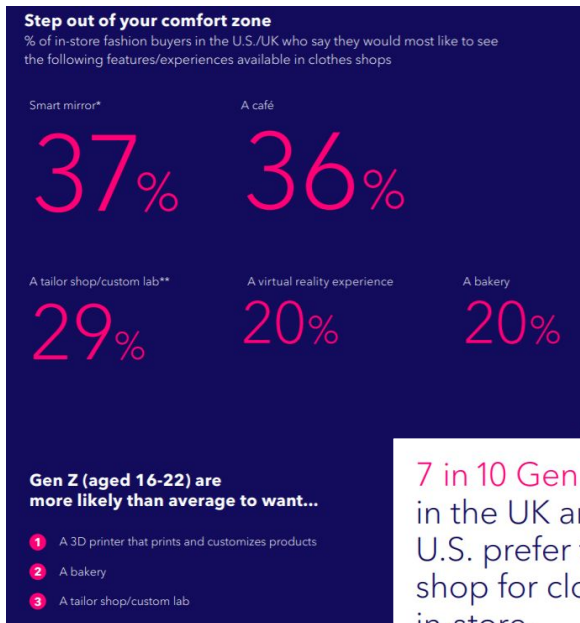
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Experiential Fashion

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Before coronavirus, stores were having a resurgence



7 in 10 Gen Zs in the UK and U.S. prefer to shop for clothes in-store.

Behind this is a greater push for experiences when shopping, rather than just transactions.

Digitally native DTC brands also recognised the need for stores, with Allbirds and Le Tote two brands increasing this physical presence.

RETAIL

Inside Le Tote's \$100 million bet to rebuild Lord & Taylor

BY HILARY MILNES

8 NOVEMBER 2019

The newly combined companies are integrating onto a single technology platform and making over a 38-store network in an effort to reach profitability.

With “at home” solutions also growing

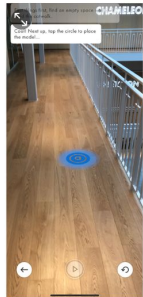
Augmented reality is going to change the way that the fashion industry creates, showcases and retails its products

Asos launches virtual catwalk

17 JUNE 2019 • BY ISABELLA FISH



COMMENT



China's Xcommons Launches Immersive Virtual Fashion Showcase With ICY

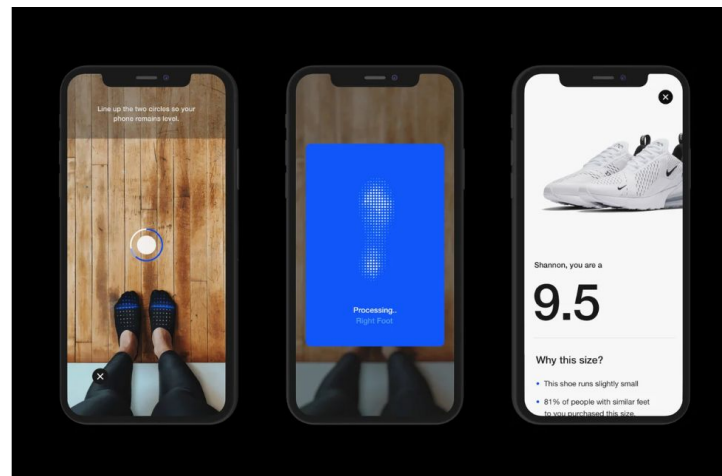
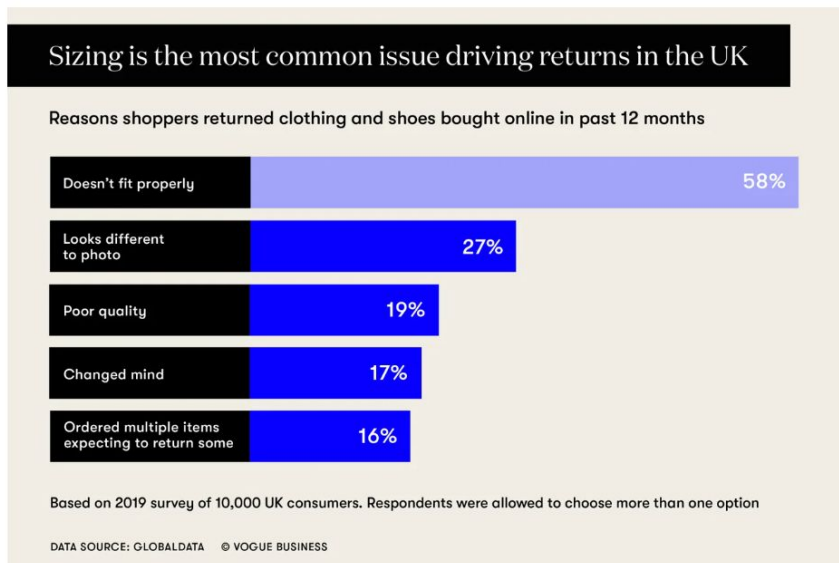
Xu Zhi, Andrea Jipiel Li and Roderic Wong will present their new collections on a virtually enhanced 3D runway.



Research from Digital Bridge says: **34%** of users say they would use AR while shopping, and **61%** say they would prefer to shop stores that offer AR

AI can also be beneficial to brands

‘Sizing tech takes on fashion’s expensive returns problem’



Nike's new app lets users scan their feet with a smartphone to find out their shoe size.

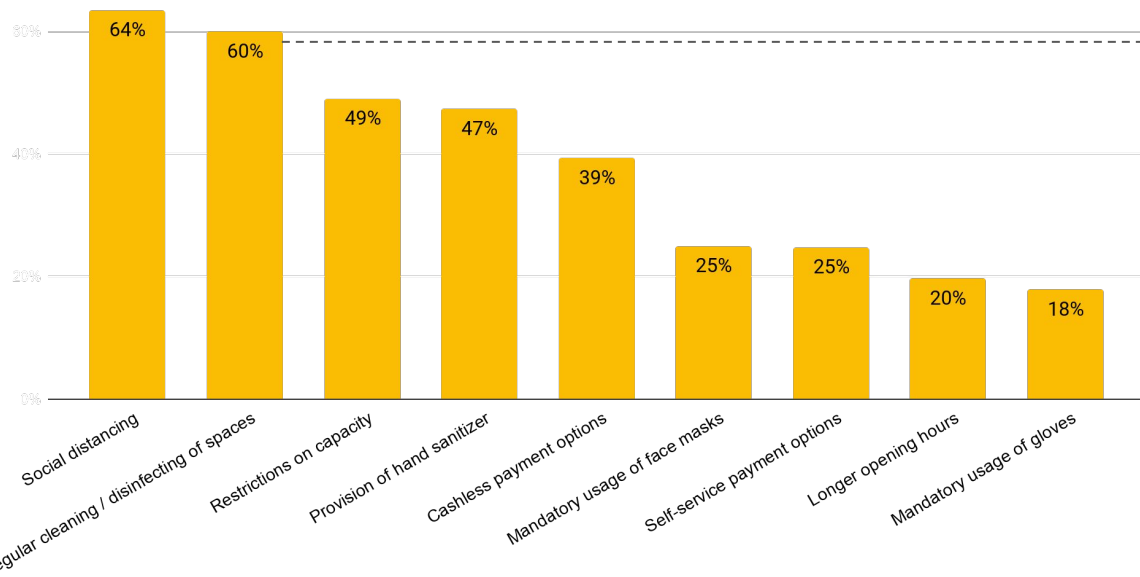
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However, stores have become a barrier

As discussed, many consumers will now hold off returning to stores - with those who come back expecting a vastly different experience.

“Thinking about public spaces (e. g. shops, leisure venues, public transport, etc), which of these factors are most important to you?”

%UK respondents. GlobalWebIndex.



Expectations of regular cleaning and a contactless experience may reduce the experiential potential of stores.



3 Summary

In summary



Digital is more essential than ever



The impact of stores to the bottom line is likely to be limited for some time. This is both a threat and an opportunity for brands - those who succeed will do so through quick adoption of digital.

Changing consumer behaviour



Big shifts have already been seen towards digital, though this is expected to slow down. Brands need to shift their media investment to meet these changes and adapt to the new consumer.

Longer term trends



Will continue to evolve as we've seen over recent years (sustainability, gender neutral fashion movements etc). The exception to this is stores, which had been the catalyst for a resurgence in retail but now lie out of sync with the new low touch economy - brands who can find a role for stores in new retail will win.

Thank you. Questions?



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