

ANNOUNCEMENT

Leather Goods & Shoes: challenges and transformation

The IADS and NellyRodi regularly take stock of the new trends induced by the Covid-19 pandemic through a series of monthly product category workshops. Their last one, which also hosted IMG members, was dedicated to the Leather Goods & Shoes categories, showing very different dynamics in terms of Covid-19 impact and perspectives of recuperation.

Due to the consequences of the pandemic, the Luggage and Bags category globally decreased by -29% in 2019-2020, to a total value of EUR 102 bn, affecting all segments, including luxury which decreased by -7%. On the contrary, the Shoes category resisted relatively well, limiting the decrease to -1.5%. Such a difference is explained by a fundamentally different demand regarding shoes, which had already transitioned, pre-pandemic, towards a more casual approach (sneakers, comfort shoes, both very much in demand even during lockdowns).

As a consequence, it is expected that the return to pre-pandemic levels for shoes will be extremely rapid, with steady growth perspectives in the near future. As the Leather Goods category was more affected worldwide, return to 2019 levels is expected only by 2023. In both cases, digitalisation has been and will remain a driving force: online sales, which represent 20% of both categories today, will grow to 22% in 2023.

Leather Goods: Luxury and digital investments are key, while sustainability is not yet a silver bullet

Contrasting with the global situation, department stores managed to keep the business under control and stable in 2019-20. Leather goods including bags, which represent a business share of respectively 10% and 12% for IADS and IMG members, will be driven in the future by two key forces:

- Demand for luxury goods will drive the growth in the medium term. Even though today it only represents 36% of the business (compare to 37% for the mid-range segment share), it is expected that the return of tourists will help grow this segment larger.
- In the meantime, digital is key to connect with local and younger customers, two key categories to attract and build loyalty, especially on the premium and mid-range segments. So far, e-commerce share varies from 10 to 31% of the total business. Regarding the Entry level segment (10% of the business), its growth will be fuelled by e-commerce too, but buyers are apprehensive about this segment due to an increased contradiction between customers' appetite for sustainability and ethics and how low-priced products are manufactured.

On product-related aspects, functional leather bags will continue to dominate the market (60% of sales). Demand for sustainability is growing, but not there yet: for instance, fake leather represents only 20% of the business. The importance of sustainable products the future will largely depend on the developments in responsible alternative to leather, especially in Europe (eco-friendly products are only 6% of sales right now). For practicality and casualisation reasons, textile bags will develop in the future (12% of sales in 2020), at every price points.

Shoes : customers request casual items online and statement pieces in store

On average, this category represents respectively 5% and 14% of total sales for IADS and IMG members. The mid-range price segment is the strongest asset for department stores with a 44% business share. Together, the Luxury and Premium segments represent 27% of sales. In fashion stores such as IMG members, occasion and evening footwear is the biggest part of the business (55%). Here again, Luxury, Premium and Mid-range segments are expected to grow, while there is, again, less consensus regarding the Entry price point segment (22% of the business).

The Shoes category is a key pillar for the future, provided there is an acceleration of digitalisation (currently representing between 8% and 19% of the business). The "browse online try in store" is an important shopping pattern

to be taken into consideration, as there is a significant difference between online and in store purchases: casual footwear and sneakers are easily bought online, while occasion wear performs better in store.

On the product aspect, comfort categories including sneakers (the hero category: 45% to 50% of the business) drive sales, at the expense of work and formal footwear (18% of sales today). On the fashion aspect, buyers forecast the increase of ceremony items (including a refreshed demand for statement pieces) thanks to social events returning. As a consequence, the shoe business will stretch from ultra-casual to highly sophisticated products.

Brand Panorama

During the workshop, Nelly Rodi identified 40 brands to watch, corresponding to 3 key trends.

- Sustainable, ethical and eco-friendly propositions: Polene, Gia Studios, Aranaz and A. Amery, Qquestion, Alexandra K, Denise Roobol, Malibu Sandals, Arizona Love, Lemon Jelly, Matt & Nat, Been London, Human Nation, Kahmune, Vitaly (jewellery), Good American.
- Efficiency and functionality-oriented brands: Building Block, Lastframe, Paradise Row, Anya Hindmarch, Jenny Kayne, Eliou (glasses accessories), Sandqvist, Tkees, Numero 00, Hulken Bag, OAMC, Zhijun Wang (face masks), Coperni, Xouxou, Cat Footwear, Noli.
- Self-expression and emphasis on identity: Stand Studio, Room, Kara, Kassl Editions, Blackcurrant Pop (jewellery), Cahu, Smiley, La Manso.

From their own assortment, IADS and IMG members identified 53 new and/or successful Leather Goods brands and 61 new and/or successful Shoes brands (list available upon request).

Multiple adaptations required

While Leather Goods has been a challenged category, department stores resisted better than the market on average. Shoes have proven to be resilient to Covid and are seen as a safe bet for the future.

At the macrolevel, the casualisation of both categories is strong and here to stay, impacting buyers' selections of brands. On top of that, to remain relevant to younger generations, Leather Goods & Shoes offer will have to wholly embrace sustainability and personalisation, to be conveyed through efficient online/offline bridges.

About NellyRodi

NellyRodi is a consulting agency in Business and Creative Intelligence.

Based in Paris, Tokyo and New York, it is a global reference for foresight applied to industries and services. Our business, based on understanding new consumer standards and new uses, is to support brands, investment funds and institutions on their desirability and performance levers.

Backed by NellyRodi's international future-forward expertise, we not only provide strategic support at the highest levels, i.e. to senior management and investors, but also at the field and operational level.

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About IADS - International Association of Department Stores

The IADS is the most exclusive and oldest professional department store think tank in the world. Its uniqueness lies in the close relationship between its member CEOs, making it a very powerful asset for decision-making at the highest level.

Today, the Association gathers a group of 12 members across the world, all leaders or key players on their respective markets, and represents more than €31bn cumulated annual turnover, achieved through more than 490 stores with 233,000 associates in 19 countries. Members are: Centro Beco (Venezuela), Beijing Hualian Group (PRC), Breuninger (Germany), El Corte Inglés (Spain), El Palacio de Hierro (Mexico), Falabella (Chile), Galeries Lafayette (France), Lifestyle International Holding (Hong Kong), Magasin du Nord (Denmark), Manor (Switzerland), The Mall (Thailand), SM (Philippines).

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About IMG

Founded in 1958, the IMG is an International Association of family owned and managed multibrand luxury fashion retailers.

Today, the Association gathers a group of 10 members across the world: Harry Rosen (Canada), Troelstrup (Denmark), Braun (Germany), Louis Copeland and Sons (Ireland), Del'Oglio (Italy), Santa Eulalia (Spain), Bon Génie Grieder (Switzerland), Oger (The Netherlands), Beymen (Turkey), Mitchells (USA).

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