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ANNOUNCEMENT

Women's Fashion in department stores: forget about Covid, and deal with consumers' contradictory expectations and habits.

The IADS and NellyRodi regularly take stock of retail trends through a series of product category workshops. Their last one was dedicated to Women's Fashion. Strategies are being reviewed and streamlined, in order to attract the younger generations. The main challenge remains in the ability to address their wide expectations while remaining profitable.

The Women's Fashion category represented on average 16% of the total 2021 turnover for the IADS members, down from 17% in 2019. However, it was noted that there was no unified pattern among all department stores globally: while some saw the share of sales decreased due to the Covid pandemic, others saw a steep increase. This is directly linked with their uneven situation when it comes to e-commerce, with some retailers lagging behind with a 1% share of business made digitally, while best in class have reached up to a share of 69%. However, the progression of e-commerce for the category is clear overall: while it only represented 10% of the business in 2019, digital sales were up to 17% of sales in 2021.

In terms of price positioning, the Mid-range segment remained the most important in 2021 and accounted for 52% of the total Women's Fashion turnover, reflecting the department stores' wide customer base especially in a period where tourists, usual contributors of luxury goods shopping, were scarce. This is also why Premium and the Entry Level segments accounted respectively for 25% and 14% of the total sales, while Luxury (including affordable luxury brands) represented only 8% of the sales. This polarization was also explained by a shift in terms of usage back in 2021: with limited social events, casual wear was still the biggest segment in 2021 even though it decreased from 63% in 2020 to 52% of sales.

In 2021, department stores' challenges and strategic priorities were all about matching their offer segmentation to consumers' expectations while also securing a healthier business to recuperate losses made in 2020.

Simplify the segmentation and become less addicted to discounted sales

It is all about matching the new consumers' habits. Customers are shopping fast fashion, Direct-to-Customer brands, and on e-commerce and luxury resale websites, therefore retailers find it increasingly difficult to anticipate their needs. This is especially the case in exceptional contexts (Covid pandemic for 2 years, and now an increasingly uncertain world) which also impact consumers' optimism. As a result, the brand matrixes used by retailers so far to organise the offer and present it in their stores (online and offline) are outdated as the usual "boxes" to fill are too numerous and too tight for versatile customers. The evolution towards a simpler brand matrix allows department stores to be better equipped for the new sales floor reality (for both customers and sales staff), including e-commerce.

This brand matrix renewal is also seen as a way to reduce the need for discounts. Since the offer is deemed to be more granular and closer to customers' expectations, their experience is improved and chances are that their purchases are less based on the search for a good deal and more on the perfect encounter with the right product. This is enhanced by the fact that retailers are also reducing their initial purchases, creating an effect of scarcity and preventing customers from waiting for end-of-season discounts. Last but not least, department stores are also increasingly teaming up with brands to improve their sales efficiency. For instance, they swap worst-sellers for best-seller products in season, or organise more product training sessions with brands to make sure their sales associates feel fully confident.

The key to younger customers' hearts? Great brands, metaverse and sustainability

Appealing to GenZ is quite a challenge, as they do not follow many brands outside of the fast fashion sphere (from **Shein** to **Zalando**). Consequently, building the right assortment and space can be tricky (how to find the right

brands?) and can even slip into creating a contemporary fashion offer, far from being the strong differentiation point every retailer is looking for. In order to overcome this difficulty, there are some options:

- Harness the metaverse opportunities, especially by using Non-Fungible Tokens as an incentive. **Manor** in Switzerland for instance is planning to launch NFTs which will grant customers early access to collections and products in exclusivity,
- Deal with sustainability expectations, by opening second-hand spaces in stores (**Breuninger, Galeries Lafayette**). However, this raises new questions, the first being the profitability of such a business, and the second being the relationship with brands. The equation is difficult to solve: the highest second-hand product margins come from luxury brands such as **Chanel, Louis Vuitton** and **Dior**. But these brands deny department stores the right to sell cheaper second-hand products as they see them as competition to their full-margin business in the same store. In the mid-range, this issue could question the very purpose of the second-hand business.

However, the most difficult part is really dealing with opposite trends in the category. While casual wear is still dominating, dressy styles are growing extremely fast especially in markets where Covid is a long gone memory (at **Magasin du Nord** in Denmark, customers are eager to invest in themselves and their wardrobes). As a consequence, there is a strong polarization and a clear gap between either basic items or strong fashion statement styles, which obviously creates angst within retailers about being able to spot the right statement pieces.

NellyRodi presented its exclusive selection of up-and-coming brands in the category:

- DNVBs: Salut Beaute, Mirae, Chufy, Never fully dressed,
- Contemporary Brands: Shrimps, Icicle, Facon Jacmin, Ester Manas, Lvir, Private Policy, Knwls, Meryll Rogge, Kwaidan Editions, Nensi Dojaka,
- New Young Talent: Roisin Pierce, Supriya Lele, Weinsanto, Celine Kwan, Heliot Emil,
- Other Segments: Sporty & Rich, Else, Athleta.

Women's Fashion is going through a reinvention when it comes to what customers want, and retailers are learning to live with a permanent uncertainty

Brand matrix revamps towards simplification is an illustration of the Women's Fashion department answering to consumers' new shopping habits. Strategies are also about finding ways to rely less on discounts. In a state of permanent evolution and constant challenges, the product and brand offer will include more second-hand products even if the economic equation remains to be solved, with the hope to draw GenZ customers' attention.

In parallel, and adding up to the tension on margins, while Covid is not over, its consequences on the supply chain seem to be here to stay. Most members are greatly suffering from price increases in raw materials and transportation, and also from longer delivery delays. Increasing retail prices is an option on the table but it is difficult to predict how customers will react to this.

The recent uncertainties caused by the war in Ukraine are also piling up, adding sources of concern for department stores, as some customers don't feel like shopping at the moment. Most European department stores have a pessimistic outlook for Q2 and Christmas 2022, even if they are currently selling extremely well. Post-Covid confidence didn't last long and feels a waning feeling.

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 our 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 in 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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