KPMG

Front row: Seeing the fashions of the future

Fashion 2030 study

EHI Retail Institute®

Foreword

Dear readers,

Currently, there is a great deal of uncertainty among managers in the fashion industry regarding how the market will develop in the future and what the right corporate strategy is to cope with it.

In the recent past, several "megatrends" have already become apparent in both the economy and society. Many of these manifest themselves in the fashion industry, which is in any case permanently concerned with the zeitgeist, fashion and social change. Topics such as consistent customer focus, digitalisation or emotionalisation of the range of services are undoubtedly part of this, and have lost none of their importance as a result of the coronavirus pandemic. Quite the opposite, in fact. Even sustainability as a social trend is gaining importance in the fashion market on both the industrial and retail sides. The need to catch up – or let's call it potential – is undeniably there.

Terms like customer centricity and customer experience, offline-online integration and omnichannel management, customer apps and social media excellence, platform economy and sustainability are by no means just current buzzwords. Rather, they describe a development that has already been reflected in the behaviour of customers and suppliers and is beginning to shape the strategies of many companies.

The central questions that arise against this background are: In which direction will these trends continue to develop? How will consumer behaviour change in specific terms? Will the use of AI tools make it possible to predict customer demand and optimise the value chain? Which new business models are likely to prevail in the market by that point? What impact will the trends have overall on the competitiveness of suppliers, on their market shares and on trading locations? And: What will happen to our city centres in the face of predicted business closures?

As we all know, transforming overarching trends into competitive business models and service offerings is no small task. It requires keen observation of the market, an idea of what is coming and the courage to put things into effect.

My sincere thanks go to the authors of this study who have addressed the central questions regarding the future of the fashion market in these challenging times. Rarely has the discussion about the future development of our industry been as important as it is today.

The fashion trade is unfortunately at the mercy of the political framework conditions in the current times, which are dominated by the fight against Covid-19. This makes it all the more important to get back on track once we have overcome the pandemic and to gear our entrepreneurial actions towards shaping the future. This means, in particular, taking advantage of the opportunities that a crisis often brings.

I hope this study not only provides food for thought, but also gives companies plenty of ideas and supports them in setting the right course for the years ahead.

Professor Dr. Siegfried Jacobs
Managing Director
BTE Handelsverband Textil (German Textile Trade Association)

Dear readers,

We do not establish traditions, but we do like to continue good ones. In this case, every five years – we last took an in-depth look at the fashion market half a decade ago. A lot has happened in the industry since then and the upheaval continues. In the midst of the coronavirus-stricken winter of 2020/2021, we ask ourselves what developments there will be in the fashion market over the next ten years. This is an endeavour in which we deliberately push aside the overly dominant present and venture a glimpse of what the fashion market will look like in 2030.

The options are numerous: circular economy and supply chain law, re-commerce, all-dominating online platforms? Or cooperative behavioural patterns between consumers, manufacturers and retailers, flourishing and transformed city centres that thanks to new concepts provide a space for social gathering and well being for consumers?

We have had many conversations – with consumers, retailers and verticalised manufacturers. I thank all those who were available for this. The conversations were fascinating and peppered with surprising views and assessments. My thanks also go to the tireless study team from EHI and KPMG.

"I love giving voice to things that are not particularly visible," says Gucci's Alessandro Michele. Watching which trend will prevail and which markets the regulator will open or which it will close will be fascinating. The scope of many developments is not visible today, much like in fashion. Regardless of this, I boldly make a prediction: in 2030, the fashion market will be substantially more regulated than it is today. We shall also have a largely functioning circular economy that shifts the majority of raw material procurement to the sales markets. Fashion consumables will be a thing of the past.

With this in mind, all that remains is for me to wish you an interesting read. The entire study team is very much looking forward to your feedback, as well as your assessment of the state of the fashion market in 2030. Provide the feedback shows a clear interest, we want to bring readers and interviewees around the table this autumn for a closer exchange of ideas and some preliminary conclusions.

With best wishes,

Stephan Fetsch
Head of Retail Germany & EMA, Head of Consumer Goods
KPMG AG Wirtschaftsprüfungsgesellschaft

1
Get the look: Which models impress

Fashion retail – a synopsis

The fashion trade is currently in a difficult phase; in particular, the growing market sha-res of online retail – exacerbated in the current year by the coronavirus crisis – pose major challenges for many established bricks-and-mortar players in the industry. This section looks at the structure of the fashion market and gives an outlook on its general development.

The fashion trade is traditionally subdivided into the following segments: women's outerwear, men's and boys' outerwear, children's ready-to-wear and lingerie. Home and household textiles are also included, but not in the classical sense. Over the past few years, the turnover shares of all segments have been relatively constant.

Figure 1: Distribution of turnover by segment
Womenswear accounts for more than half of the turnover in the fashion trade.
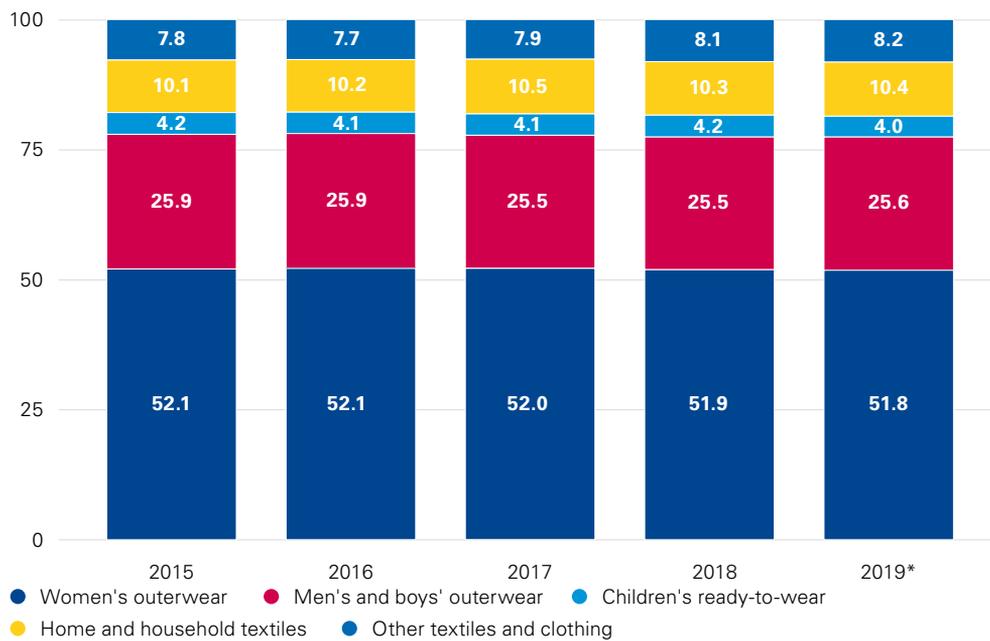
	2015	2016	2017	2018	2019*
Other textiles and clothing	7.8	7.7	7.9	8.1	8.2
Home and household textiles	10.1	10.2	10.5	10.3	10.4
Children's ready-to-wear	4.2	4.1	4.1	4.2	4.0
Men's and boys' outerwear	25.9	25.9	25.5	25.5	25.6
Women's outerwear	52.1	52.1	52.0	51.9	51.8

Legend:
- Women's outerwear
- Men's and boys' outerwear
- Children's ready-to-wear
- Home and household textiles
- Other textiles and clothing

Source: BTE Handelsverband Textil (German Textile Trade Association), 2020; figures in per cent;
*Estimate in December 2020; rounding differences possible

The distribution channels of the fashion trade can essentially be grouped as follows:

Bricks-and-mortar retail	Online retail
Fashion specialist retail	Internet pure players
Sports specialist retail	Manufacturers' online shops
Others[1]	
Hybrid forms of online and bricks-and-mortar offers[2]	

The market share of bricks-and-mortar fashion retail is currently four times as large as that of online shops. However, the proportions have been changing for years in favour of online trade.

Figure 2: Market shares by type of operation (2019)

Mail-order and online retail are becoming stronger, while traditional stores are falling behind.

- Specialist textile/clothing retail
- Mail order/online retaill
- Other/non-specialist retail

Source: BTE Handelsverband Textil (German Textile Trade Association), 2020; figures in per cent; percentage change from previous year in brackets

Closely linked to the distribution channel is the differentiation of retailers according to horizontal and vertical business concepts. Vertical retailers are fashion groups that hold the entire value chain for their products in their own hands and thus have precise control over production, procurement and distribution. By closely linking production and sales in their own shops, such companies can manage quick collection changes and sell fashion with a finger on the pulse.

Horizontal traders can be subdivided according to the type of business. These are defined, among other things, by different characteristics in the product range and pricing policy, in the customer base and in location requirements. The most widespread types of businesses in the fashion trade are large-scale suppliers such as department stores, as well as shopping centres, but also smaller spaces in the food sector, for example those of grocery discounters.

For some years now, large, vertically organised chain stores that can be found all over the world have been observed to be displacing the classic, often independent fashion retailers.

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[1] Example of others: grocers, self-service goods and department stores
[2] Example of hybrid forms: Click & Collect

This branch landscape is characterised by shops with an annual turnover of less than one million euros. The number of branches has fluctuated continuously in recent years – in 2015 it peaked at 27,500 across Germany. The growth of shopping centres at that time, in which numerous fashion chains from abroad "set up shop" with their comparably small sales areas, also contributed to this development, as did the popularity of shop-in-shop concepts. Since 2015, the number of branches has decreased significantly and is now likely to have fallen below 24,300.

Figure 3: Number of companies in the retail sector by turnover (2008-2018)
In terms of turnover, the majority of retailers are among the "small fish" in the sector – with less than one million euros.

- Under 1 million euros
- 1 to under 2 million euros
- 2 to under 5 million euros
- 5 to under 10 million euros
- 10 million euros and higher
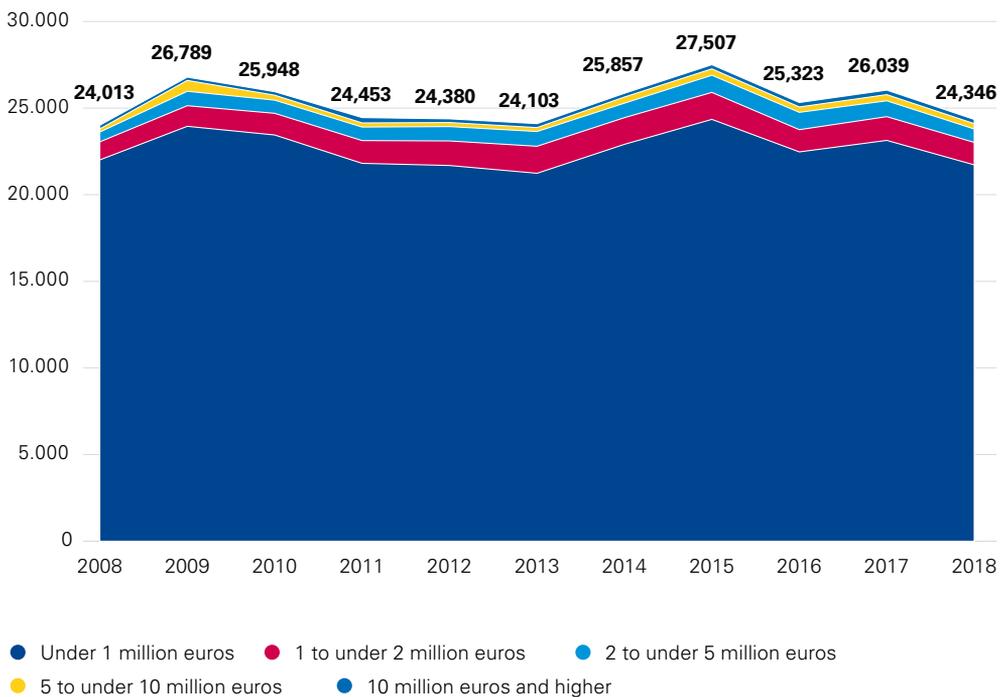
Source: Statistisches Bundesamt (German Federal Statistical Office), 2020

According to the German Federal Statistical Office, German households spent half of their consumption expenditure on housing costs, food and clothing in 2018. Clothing accounted for an average of just under 5 per cent, which corresponds to 122 euros per household and month.

Measured in terms of the total retail trade, just under one tenth of turnover is attributable to the fashion sector – 7.3 per cent to clothing and 1.7 per cent to shoes.[3]

Although retail sales of clothing and textiles increased between 2009 and 2019, this did not apply equally to all market participants and distribution channels. Despite the positive trend over the years, a stagnation of growth rates is observed at a high level.

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[3] GfK Geomarketing, 2020

Figure 4: Retail sales (gross) in billions of euros from clothing and textiles

The growth trend lost momentum towards the end of the decade.

55.3	57.8	59.2	59.3	60.5	62.2	63.5	64.2	65.1	65.5	66.0
	4.6	2.3	0.1	2.0	2.9	2.0	1.2	1.4	0.6	0.7
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019

● Gross sales in billions of euros   ● Change compared to previous year in per cent
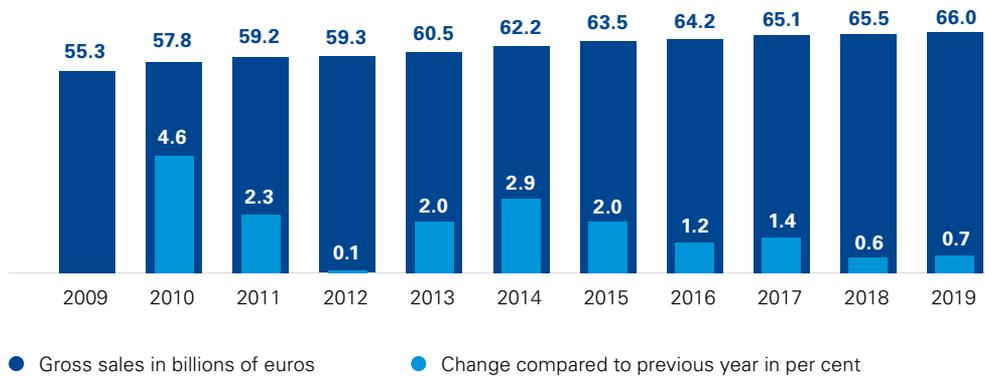
Source: Bundesverband des Deutschen Textileinzelhandels e.V., 2020

The expansion of sales areas has been ongoing for years and so has the pressure on store productivity in the clothing trade. In 2018, average productivity in Germany was 2,752 euros per square metre.

Figure 5: Key performance indicators of medium-sized German specialist clothing retailers

Around 100 euros in turnover are generated per customer per year.

KPI	Average for 2018
Gross turnover per employee	194,456 euros/year
Gross turnover per salesperson	235,718 euros/year
Gross turnover per m² of business space	2,165 euros/m²/year
Gross turnover per m² of sales area	2,752 euros/m²/year
Gross turnover per customer	98.4 euros/year
Stock turnover	2.2
Partial value discount	26.9
Net trading margin	39.9 % (without VAT)
Discounts/bonus income	1.0 %
Total costs	36.2 % (of gross turnover)
Economic profit	3.7 % (of gross turnover)

Source: Bundesverband des Deutschen Textileinzelhandels e.V., 2020

For 2020, the BTE Handelsverband Textil (German Textile Trade Association) expects massive losses for the already struggling bricks-and-mortar fashion trade due to the coronavirus.[4] The situation is different with online retail. Here, the clothing segment – together with consumer electronics – has turned out to be the driving force with sales shares that have been rising for years. The Bundesverband E-Commerce und Versandhandel Deutschland (German E-Commerce and Distance Selling Trade Association) states that sales in the clothing and footwear segments grew by 11.4 per cent in 2019, with the online share (gross) rising from 16.8 billion to 18.7 billion euros. This is the strongest growth in five years. Clothing alone grew by 12.4 per cent compared to the previous year, with 14.3 billion euros in turnover being generated online.

Though the coronavirus crisis was initially accompanied by significant consumer restraint, online sales in the clothing industry increased again in the second quarter of 2020, by 15.3 per cent. On a half-year basis, however, it was not yet possible to fully compensate for the slump in sales. Growth in the first half of 2020 was 6.4 per cent (2019: 14.0 per cent).

+12.4 %

Turnover growth in e-commerce clothing in 2019 compared to previous year

4   BTE Handelsverband Textil (German Textile Trade Association): Press Release: Bricks-and-mortar fashion retail needs more support! – https://www.bte.de/2020/08/17/station%C3%A4rer-modehandel-braucht-mehr-unterst%C3%BCtzung/ (17.08.2020)

Leading fashion retailers in Germany

The Otto Group leads the ranking of domestic fashion retailers. The Hamburg-based mail-order group recorded sales of around 5.6 billion euros with its clothing and textiles sales lines in 2019. In second place in the ranking is the Swedish chain store Hennes & Mauritz, with turnover of 3.8 billion euros, and in third place is the clothing chain store C&A with textile sales of 2.6 billion euros. In total, the gross sales of the top ten clothing retailers in 2019 amount to 24.5 billion euros, surpassing those of the 70 next-largest fashion retailers (which come to 23.9 billion euros in total) by 2.5 per cent.

Figure 6: Distribution of turnover of the largest German clothing retailers
The Otto Group is clearly ahead in terms of turnover in Germany, even within the top ten.

5.6 Otto Group*	
2.6 C&A*	2.4 Zalando
2.4 Deichmann	1.7 Tengelmann-Group*
3.8 Hennes & Mauritz	1.6 Peek & Cloppenburg, Düsseldorf*
1.8 Schwarz Group*	1.4 HBC*
1.2 Karstadt*	
23.9 Total Top 11–80	
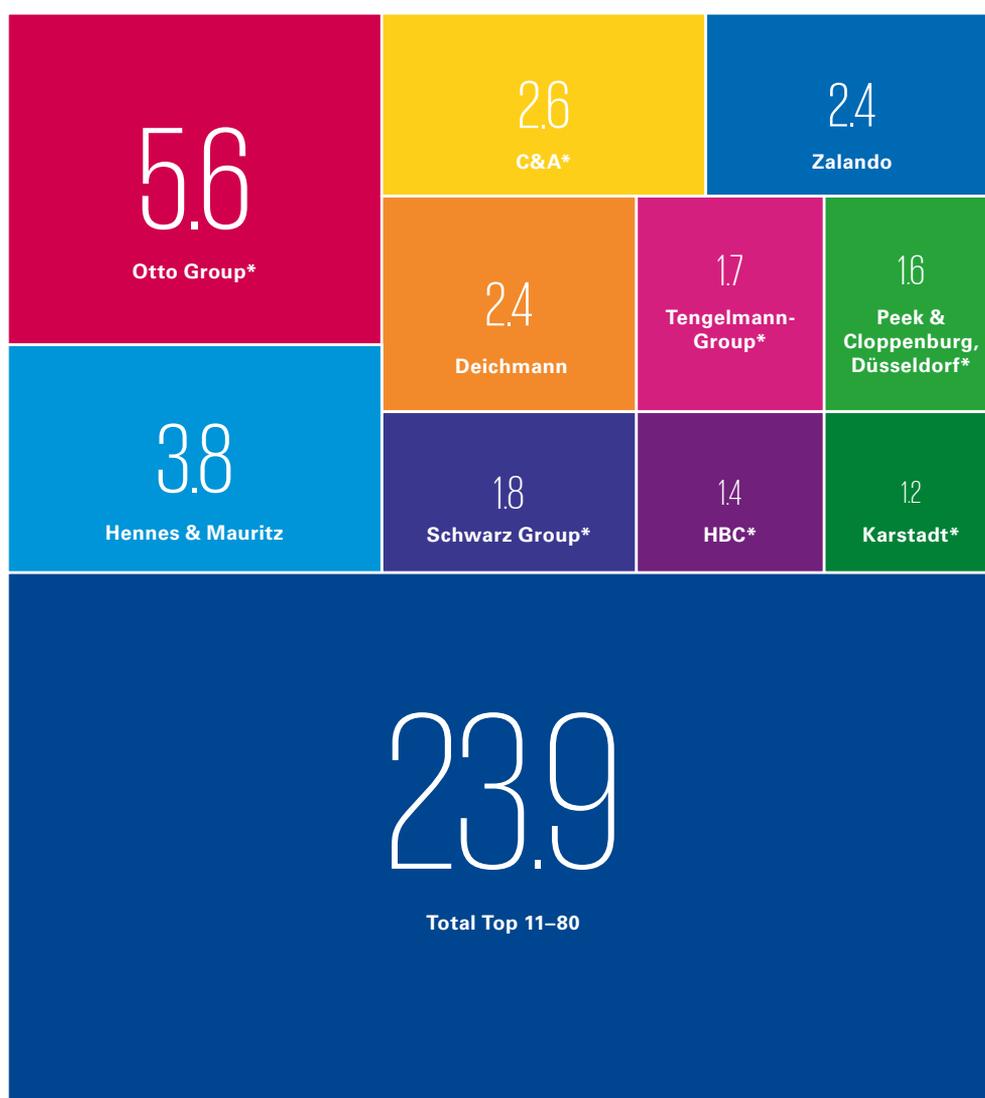
*Source: TextilWirtschaft, 2020 (no claim to completeness); figures in billions of euros (gross); *Estimates; subsidiaries of the companies[5]*

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5   Otto Group (Otto, Baur, Bonprix, Heine, Schwab, About You and others), Hennes & Mauritz (including H&M, Cos, Weekday, Monki), Deichmann (Deichmann, Snipes, Onygo, Soulbob, Ochsner), Schwarz Group (Lidl, Kaufland), Tengelmann Group (KiK)

In a study published in 2019 by the EHI Retail Institute (EHI) on the largest 1,000 sales lines in bricks-and-mortar retail in Germany, 159 were from the fashion sector (excluding jewellery, shoes and similar). Of these, 110 operated an online shop, 46 originated abroad, 67 traders were active in several countries and 107 were managed as direct businesses[6].

Changes in consumer habits have triggered major changes for the fashion trade in the past. Customers punished retail concepts that did not react or reacted too slowly to trends or did not clearly distinguish themselves from the competition. This led to repeated reductions in the branch network, not uncommonly in the context of insolvency proceedings too, and the coronavirus crisis of 2020 only exacerbated this trend. Misjudgements of the German market and German consumer habits on the part of foreign companies have also led to some market exits in the past.

Figure 7: Changes in the market presence of fashion retailers in Germany
The market is dynamic, with many reasons for closures.

Insolvency	Branch closures	Market exit
Wöhrl (2016)	**Wöhrl** (#4/34)	**Springfield** (2009, 19 shops were taken over by Tally Weijl)
SinnLeffers/Wöhrl (2016 und 2020)	**Gerry Weber** (#150/350)	**Wehmeyer** (2011)
Gerry Weber (2019)	**ESPRIT** (#50/100)	**American Apparel** (2016)
AppelrathCüpper (2020)	**Galeria Karstadt Kaufhof** (#50/243)	
ESPRIT (2020)	**C&A** (#100/450)	
Galeria Karstadt Kaufhof (2020)	**H&M** (#50/466)	
Adler Modemärkte (2021)		

Source: EHI Retail Institute (EHI), 2021; Reading aid for the data on store closures – example of Wöhrl (#4/34): 4 out of 34 branches were closed

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6   Locations operated by the franchisor itself

Outlook

Bricks-and-mortar fashion retail is not only struggling with the growing market shares of online retail, but in 2020 also with the side effects of the coronavirus pandemic, which are hitting these already low-margin companies with full force.

Looking at the development in textile retail since 2010, it is noticeable that bricks-and-mortar sales have steadily decreased since 2015. Further losses by 2030 are very likely here.[7]

Figure 8: Forecast sales development per distribution channel by 2030 (in billion euros)
The shrinkage of bricks-and-mortar retail and the growth of online sales are leading to expectations of a neck-and-neck race.

	2010	2015	2020	2025	2030
Total	57.5	63.6	66.0	72.6	79.2
Online	5.3 (9%)	6.4 (10%)	16.5 (25%)	29.0 (40%)	39.6 (50%)
Bricks-and-mortar	52.2 (91%)	57.2 (90%)	49.5 (75%)	43.6 (60%)	39.6 (50%)

● Bricks-and-mortar ● Online — Market share
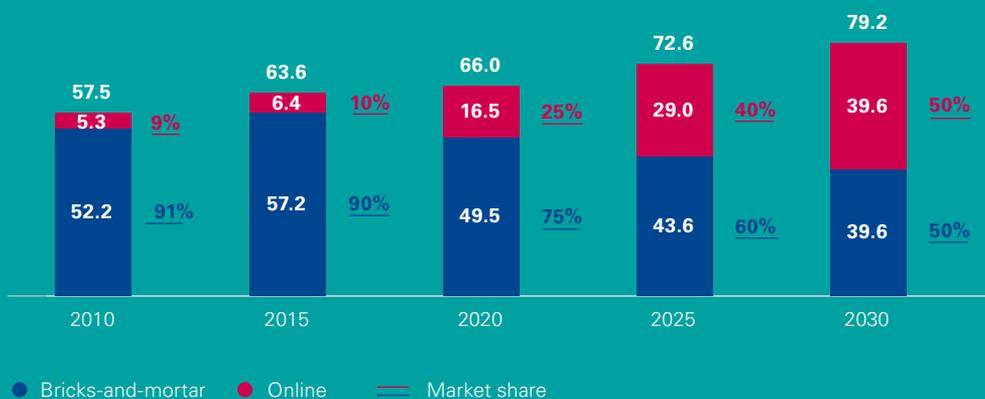
Source: Bundesverband des Deutschen Textileinzelhandels e.V. 2020, basis 2010 to 2020 with EHI projections for 2025 and 2030

The strong growth in online market share will lead to a scissor effect for the bricks-and-mortar clothing retail sector in a market that is growing less strongly overall, unless decisive parameters change in the future, such as shop rents. Only a permanent reduction of the share of fixed costs in the bricks-and-mortar sector can lead to a harmonisation of both sales channels and prevent massive cannibalisation effects. But even beyond an adjustment of the fixed costs (structure), changes are inevitable, for example in the areas, distribution and number of branches, but also with regard to the business concepts.

The reduction in retail space will hit department stores and multi-storey formats the hardest. In the interviews conducted by KPMG, retailers have indicated that they expect a reduction in space of around 50 per cent; at their peak, shrinkages of up to 70 per cent are anticipated. Many interviewees also assume that the remaining market for clothing in the bricks-and-mortar sector will change in the coming decade in such a way that it will be decentralised to a not inconsiderable extent through local supplies.

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[7] For the forecast of the shrinking market volume, an online market share of 50 per cent was assumed – an assumption that is likely to be realistic in view of the attitude of the consumers interviewed for this study, as well as in light of the pandemic-related developments.

The massive reduction in retail space is a major challenge, not least for urban development. Urban planners are increasingly focusing on the concept of "short distances". Small spaces and precise product ranges for neighbourhood customers are already present in the cityscape in many places today and will become even more important as we head towards 2030. Shopping trips in the local area have a mission rather than a destination character and are usually of a short duration. This is contrasted by the pronounced and deliberately structured city centres with a high degree of choice in adapted spaces combined with sociability and entertainment. Trips into the city are therefore usually of longer duration, whereby it often only becomes clear in the course of the customer journey which points – i.e. shops, cafés, cultural institutions, etc. – one is heading for.

At present, the temporary as well as permanent partial leasing of the upper floors of large-scale buildings by fashion retailers in the city centres means the loss of visitor magnets for many municipalities. These circumstances and the general thinning-out of branch networks have significant consequences for the remaining retailers. As a result, this leads to a dramatic reduction in the variety of offers, visitor frequency and attractiveness of city centres. This development is also reinforced by the fact that similar developments are taking place in parallel in other sectors, for example in financial services or traditional crafts. The future for the vitality and attractiveness of city centres lies in cooperation between all of the involved actors on the ground as well as in cooperation with the municipal authorities.

However, the current crisis also offers the fashion industry a good opportunity: the supply of attractive rental space is greater than ever. The opportunity for fashion retailers lies in positioning themselves for the coming decade by strategically streamlining their own branch networks, adapting their space and differentiating their concepts according to target groups – in conjunction with smart digital solutions (more on this in Sections 3 and 5).

For fashion retailers, it is important to get to know their customers better and to place them at the centre of their activities along the customer journey in order to increase customer loyalty. Bricks-and-mortar retailers must master the transformation of the point of sale into the point of experience and invest more in creating an emotional experience for this purpose. These conceptual changes are necessary for future market success. Retailers and manufacturers are also required to ensure transparency – both in communication and with regard to the entire supply chain – in order to build trust all the way up to the end customer.

2
En vogue: What's particularly attractive

Buying clothes – what drives and moves customers

The online market share of the fashion industry is steadily increasing, whereas the overall market is growing more and more slowly. Wardrobes are full, the basic needs covered. So what incentives can retailers create to encourage customers to continue to buy clothes against this backdrop? This section explores the shopping behaviour of customers and sets out the factors that influence clothing purchases.

Consumer attitudes towards purchasing clothing

Terms such as experience orientation, quality of stay and staging go hand in hand with an image of the customer for whom shopping means much more than meeting needs.

The answers from the study participants reveal a fairly clear either-or when it comes to the question of whether buying clothes is perceived as necessary or enjoyable; the respondents can be described in almost equal parts either as so-called necessity buyers or as pleasure buyers. More than half of the women and more than a third of the men belong to the group of pleasure shoppers.

Figure 9: Pleasure versus necessity when buying clothes
Necessity and pleasure buyers largely balance each other out.

|	Pleasure buyers			Necessity buyers	
	++	+		+	++
Fun					**Need**
Total	20	24	32		24
♀	25	27	29		19
♂	15	21	34		29
Entertainment/sociability					**Obligation**
Total	17	38	30		16
Regularly					**Occasion-related**
Total	14	36	33		18

0   25   50   75   100
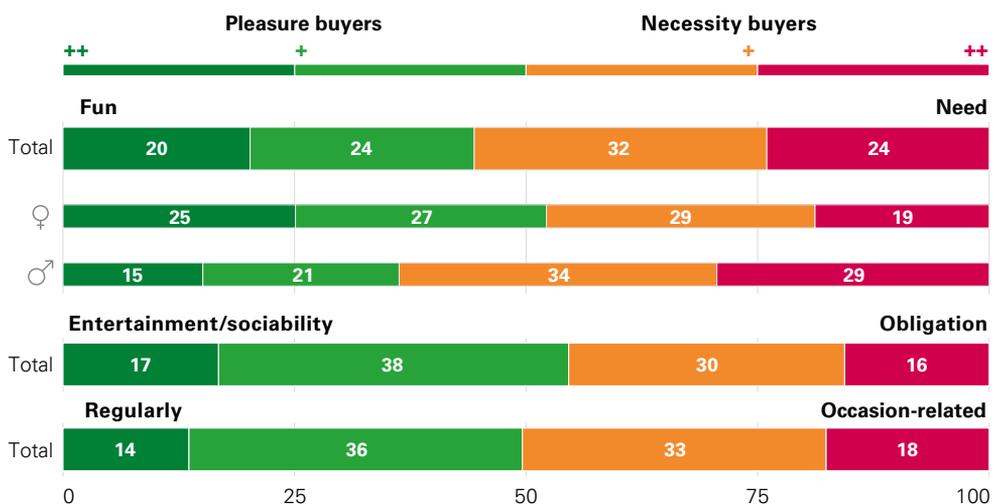
Question: Normally (ignoring Covid-19), clothes shopping for me is ... (tendency response)
Source: EHI customer survey, 2020; figures in per cent; broken down by gender; rounding differences possible

Although e-commerce plays a major (and, as mentioned, even an increasingly large) role in fashion retail, bricks-and-mortar retail is still highly valued. According to their own data, men in particular usually shop in stores, but the majority of women also say this about themselves, albeit to a lesser extent.

Figure 10: Preferred channel for buying clothes
For most respondents, bricks-and-mortar retail is still almost inevitable.

	In a store			Online
	++	+	+	++
Total	28	36	19	18
♀	24	33	22	21
♂	32	38	15	15
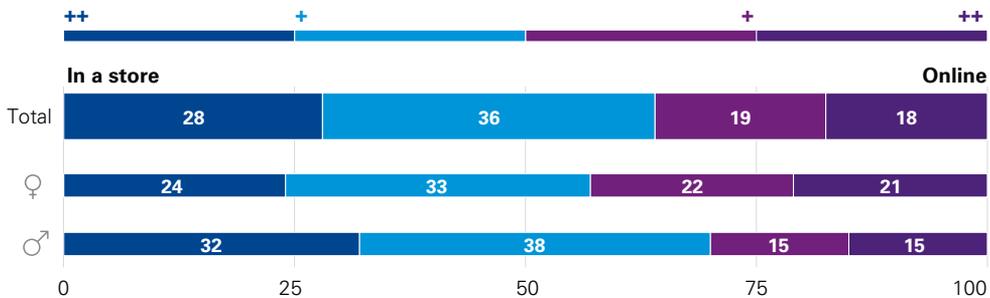
Question: I usually buy my clothes ... (tendency answer)
Source: EHI customer survey, 2020; figures in per cent; broken down by gender;
rounding differences possible

Archetypes[8]

Trend-setters primarily shop online. In the long run, they believe that all traders should offer their goods on the internet.

Experience hunters are increasingly buying online because the overall package of convenience, shopping experience and price is right here.

When "shopping locally", one in two men make specific purchases, while only just under 13 per cent make spontaneous textile purchases. Women, on the other hand, enjoy the shopping atmosphere and the shopping experience, and for about one in five, something ends up in the shopping bag that was not planned.

Figure 11: Behaviour when clothes shopping in bricks-and-mortar stores
Men are focused, women prefer to browse.

	I shop what's on my list	I like to browse	I buy spontaneously
Total	41	44	15
♀	32	50	18
♂	50	38	13
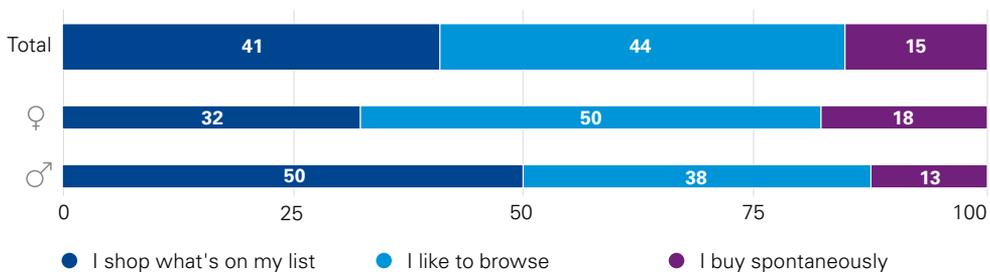
Question: When shopping in a store ...
Source: EHI customer survey, 2020; figures in per cent; broken down by gender;
rounding differences possible

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8   Based on the results of this study, four basic archetypes were identified that differ in terms of preferences and psychographic characteristics when buying clothes (for more on this, see Section 6). Concise statements on the different types can be found in the respective sections.

Many retailers take advantage of these preferences and combine their actual product range with gastronomy offers and targeted shop fitting elements to create a feel-good atmosphere:

"Retail spaces have to provide an experience feeling, because shopping should become an event. Customers should be able to linger and, for example, drink a coffee, chat or read a magazine. This is how we differentiate ourselves from well-known fast fashion providers. We don't want to be just a 'temple of consumption', we want the customer to feel comfortable and have a pleasant time."

Lars Buschbom
Deerberg GmbH

The decision to make spontaneous or targeted purchases could also depend on the customer's wallet. It is observed that, with increasing age, the budget for clothing tends to decrease, but targeted purchases increase substantially. A possible explanation for the predominantly targeted clothing purchases among seniors could lie in satisfaction and also in a certain saturation with what is already available.

Figure 12: Relationship between targeted purchases and fashion budget
Older people are increasingly setting concrete goals, while younger people tend to set themselves a fixed monthly budget.
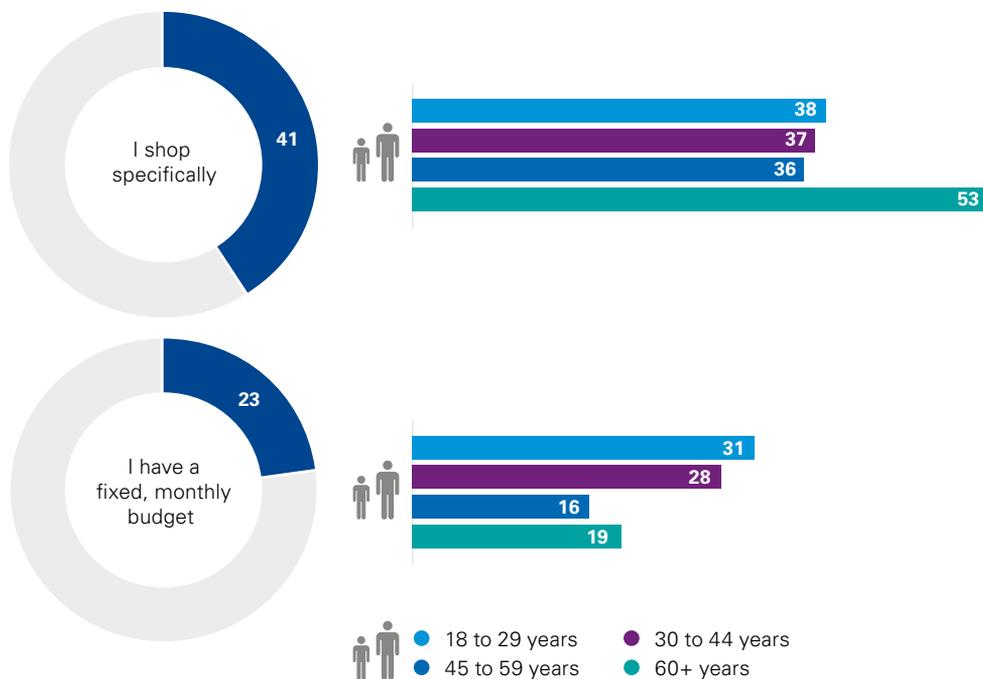
Questions: When shopping in a store ... (alternative answer choice: I shop specifically) and: I have a fixed monthly budget for clothes (answer choice: Agree)
Source: EHI customer survey, 2020; figures in per cent; broken down by age

Selling to full wardrobes

Most consumers basically have no urgent need for new clothes. Rather, they have built up a stock of clothes in the past from which they draw over a longer period of time.

The survey shows that two types of buying behaviour, or even needs, dominate wardrobe filling. On the one hand, there are people with a few classic garments who do not follow every trend, and on the other hand, there are those with a large number of garments that they actually use regularly.

Figure 13: Personal stock of clothing
No matter what and how much you buy – most people keep track of it all.

| 8%	40%	45%	7%
Few items of clothing, but always selected fashion	A few classic pieces, I don't follow every fashion trend	Large selection, but everything in regular use	I have lost track
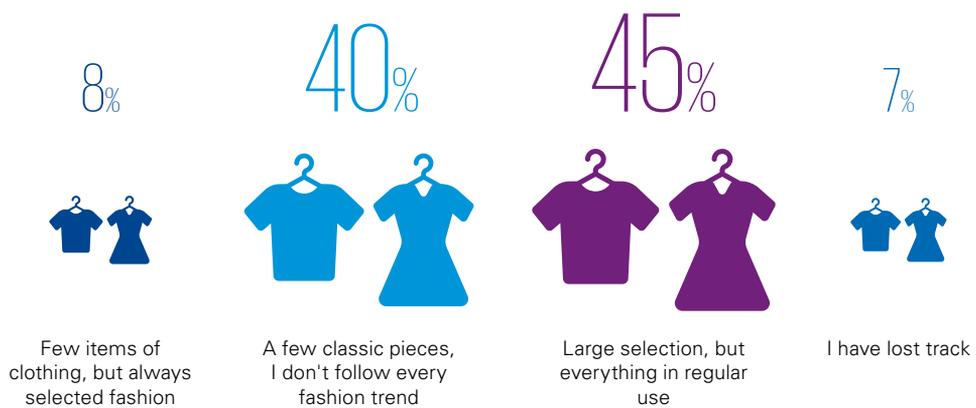
Question: Which statement is most likely to apply to your wardrobe?
Source: EHI customer survey, 2020; figures in per cent

To make room in their own wardrobe, more than three quarters of respondents donate or give away parts of their collection. About a quarter sell discarded clothes on the internet and more than one in ten take them to a second-hand shop. A closer look at the age groups reveals major differences; while the older generations give away or donate old clothes, the 18- to 29-year-olds focus on swapping and selling via the internet.

Figure 14: Possible uses of old clothing

*How to get rid of used items is not least a question of age.*

Donations or gifts
- Total: 77
- 18 to 29 years: 64
- 30 to 44 years: 74
- 45 to 59 years: 82
- 60+ years: 87

Sell online
- Total: 26
- 18 to 29 years: 34
- 30 to 44 years: 34
- 45 to 59 years: 24
- 60+ years: 10

Throw away
- Total: 16
- 18 to 29 years: 22
- 30 to 44 years: 20
- 45 to 59 years: 15
- 60+ years: 8

Sell in a second-hand store, flea market, etc.
- Total: 11
- 18 to 29 years: 15
- 30 to 44 years: 17
- 45 to 59 years: 11
- 60+ years: 3

Swap
- Total: 4
- 18 to 29 years: 11
- 30 to 44 years: 2
- 45 to 59 years: 3
- 60+ years: 0

Legend:
- Total
- 18 to 29 years
- 30 to 44 years
- 45 to 59 years
- 60+ years

Question: What do you do with discarded clothes? (Multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent; broken down by age

The secondary market for fashion is growing in popularity. Besides private sellers, more and more professional sellers are discovering the second-hand option for them-selves. Start-ups as well as established retailers – from low-price as well as high-price segments – have started to venture in this sector to profit from the sales opportunities within this market. Who buys second-hand fashion and what potential the market offers is examined in more detail in Section 4.

Prices, discounts and promotion days

It's been almost ten years since Primark shook up the German market with fast-moving fashion at rock-bottom prices. And while the hype may have cooled, the past decade still stands out as very price-orientated. Although one of Germany's great post-war traditions ended in 2004 with the discontinuation of the legally regulated summer and winter sales, replacements are always being provided. Traders are always coming up with new occasions for exceptional consumption or even novel traditions: various promotional sales events have emerged to buy and sell goods at significantly reduced prices, for example Black Friday or Cyber Weeks, as well as countless online discount campaigns.

Figure 15: Attitudes towards sales and price promotions in the retail sector
Many people believe that discounts are basically a must.

I miss the summer and winter seasonal sales — 38

- 51
- 40
- 34
- 26

I don't buy anything at full price, the store always has price promotions — 54

- 52
- 49
- 52
- 62

- ● 18 to 29 years
- ● 30 to 44 years
- ● 45 to 59 years
- ● 60+ years
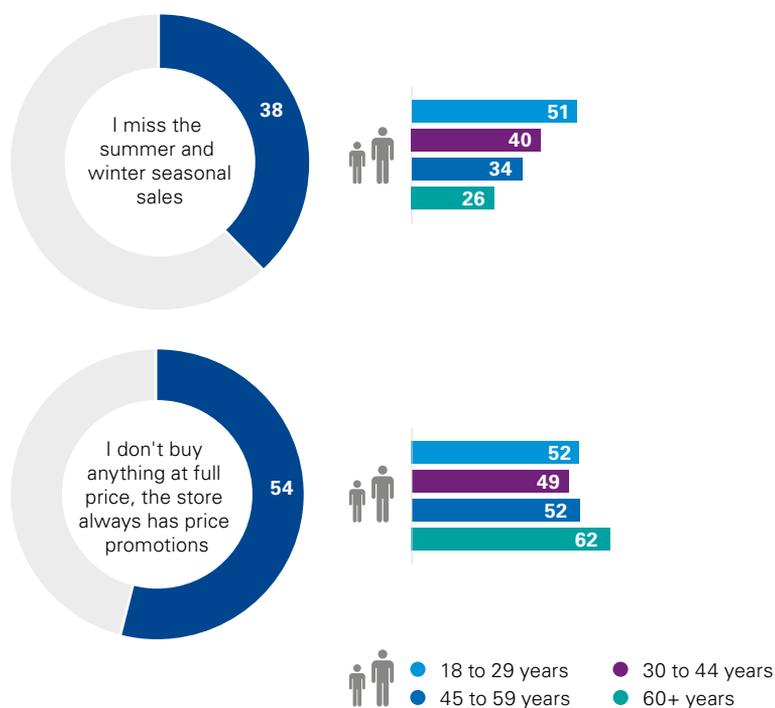
Question: Summer and winter end of season sales only exist in a weakened form. Do you miss this form of sales? (Yes/No) – And: As a matter of principle, I don't buy goods at full price; retailers always have price promotions. (True/False)
*Source: EHI customer survey, 2020; figures in per cent; broken down by age*

One in two of the 18- to 29-year-olds miss the time of end-of-summer and end-of-winter sales, compared to only a quarter of the over 60-year-olds. It is obvious that customers who have consciously experienced the sales want them less than consumers of other age groups. They find today's situation with many price promotions and discounts far more attractive. Remarkably, almost 62 per cent of the oldest customer group have a very clear opinion on pricing in the textile market; they are convinced that retailers are always coming up with new price promotions and therefore do not buy at full price as a matter of principle. Obviously, retailers have "educated" their customers to be bargain hunters and to get hold of goods at lower prices. The fact that especially the youngest among the survey participants are actively looking for good deals is also reflected in their affinity with price search engines. Almost half of the respondents in this age group tend to regularly use such "tools" to save money when buying clothes, with men resorting to them slightly more than women.

Furthermore, more than half of the customers say that events, price promotions and discount coupons are more important to them today than in the past due to online retail. Here, too, the relevance is highest for the youngest consumers.

Figure 16: Importance of price promotions in online retail
E-commerce is pushing the preference for discounts, coupons and the like.
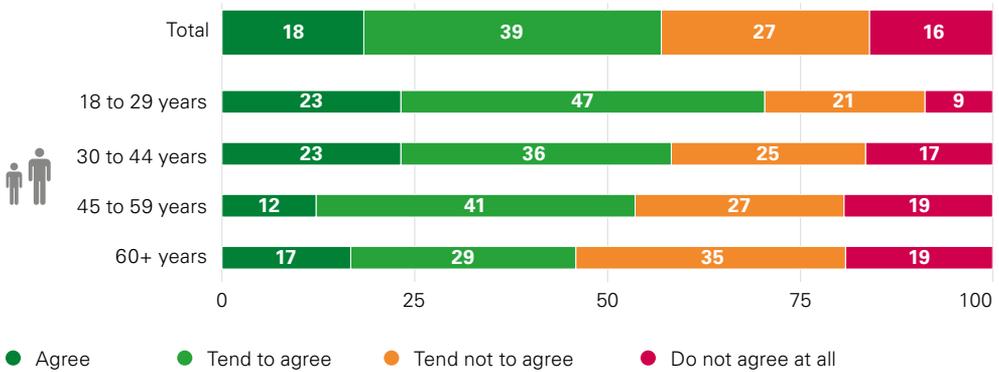
	Agree	Tend to agree	Tend not to agree	Do not agree at all
Total	18	39	27	16
18 to 29 years	23	47	21	9
30 to 44 years	23	36	25	17
45 to 59 years	12	41	27	19
60+ years	17	29	35	19

● Agree ● Tend to agree ● Tend not to agree ● Do not agree at all

Question: Price promotions (for example, coupons, vouchers, online events) have become more important to me because of online retail.
Source: EHI customer survey, 2020; figures in per cent; broken down by age;
rounding differences possible

Experience hunters like to use vouchers and discount coupons, as they do not like to buy at full price.

In addition to price, experience orientation and quality of stay, the availability and finding garments in one's own size also play a significant role in bricks-and-mortar fashion retail. If the latter were to pay more attention to such aspects, this could presumably have a positive effect on the frequency of customer visits.

However, there are different manifestations in the various age groups. Especially the 18- to 29-year-olds state that they would be lured to the shopping streets more often than before if there were better eating and drinking options, different shop opening hours and more attractive prices compared to online shops.

Figure 17: Occasions for increased shopping in bricks-and-mortar fashion stores

It is not only the price that attracts attention, but also availability information and clear product presentations.

... if it were cheaper than online — 44

Age	Value
18 to 29 years	52
30 to 44 years	46
45 to 59 years	41
60+ years	38

... if I knew beforehand that the item I want is available in store — 42

... if I were able to immediately find my size — 42

... if shopping were an experience — 24

… if professional advice were available — 18

… if the business hours were different — 12

Age	Value
18 to 29 years	22
30 to 44 years	11
45 to 59 years	8
60+ years	7

... if on site options for food and drink were better — 8

Age	Value
18 to 29 years	13
30 to 44 years	8
45 to 59 years	6
60+ years	3

Legend:
- 18 to 29 years
- 30 to 44 years
- 45 to 59 years
- 60+ years

Question: I would buy more often in bricks-and-mortar stores … (multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent; broken down by age

The importance of fashion brands

Customers do not seem to see a significant difference between manufacturer brands that are available everywhere (for example Adidas, Puma or Hugo Boss) and retailer brands that are only available in shops of a single chain (for example Hollister, Zara or Benetton). However, the statements of men and women differ here – of the former, more than half think only manufacturer brands are real brands, of the latter, on the other hand, almost two-thirds see no difference in this respect.

Figure 18: Manufacturer brands versus retailer brands as perceived by consumers
Even if the intention is different: "brand" seems to be a fuzzy term.

	Only manufacturer brands are real brands	I do not see any differences here
Total	47	54
♀	36	64
♂	54	46

● Only manufacturer brands are real brands   ● I do not see any differences here
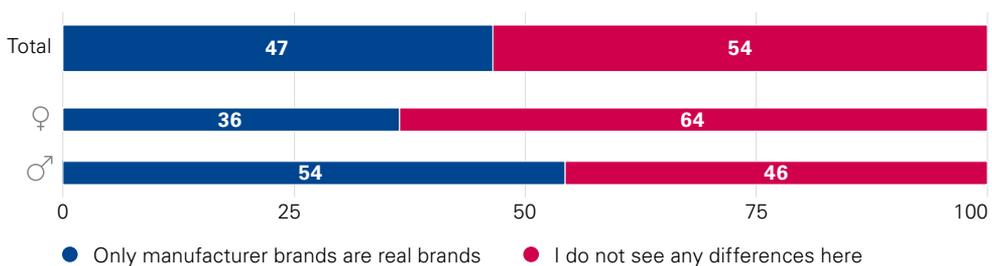
Question: I distinguish between manufacturer brands, which can be bought everywhere, and retailer brands, which can only be bought at one chain of shops.
Source: EHI customer survey, 2020; figures in per cent; broken down by gender; rounding differences possible

"Brand" stands for good quality for about 70 per cent of respondents, but less so among 18- to 29-year-olds than among the rest of the respondents. The ratio here is just over half compared to almost three quarters. For men, the quality aspect is more important than for women. However, younger customers use fashion brands more than the others as a guide when buying clothes. For significantly more than a third of the respondents – though mainly for men – "brand" also conveys a feeling and an image.

> Trend-setters prefer brand-name clothes and associate them with good quality above all.

Figure 19: Importance of brands

For all the ambiguity of the definition: "brand" suggests good quality and a lower purchase risk.

... because it guarantees good quality and thus the purchase risk is reduced **69**

♀ 66
♂ 71

... because it conveys a certain feeling and image **40**

47
51
39
18

♀ 36
♂ 43

... because it is a benchmark among the many available offers **39**

47
33
34
38

● 18 to 29 years   ● 30 to 44 years
● 45 to 59 years   ● 60+ years
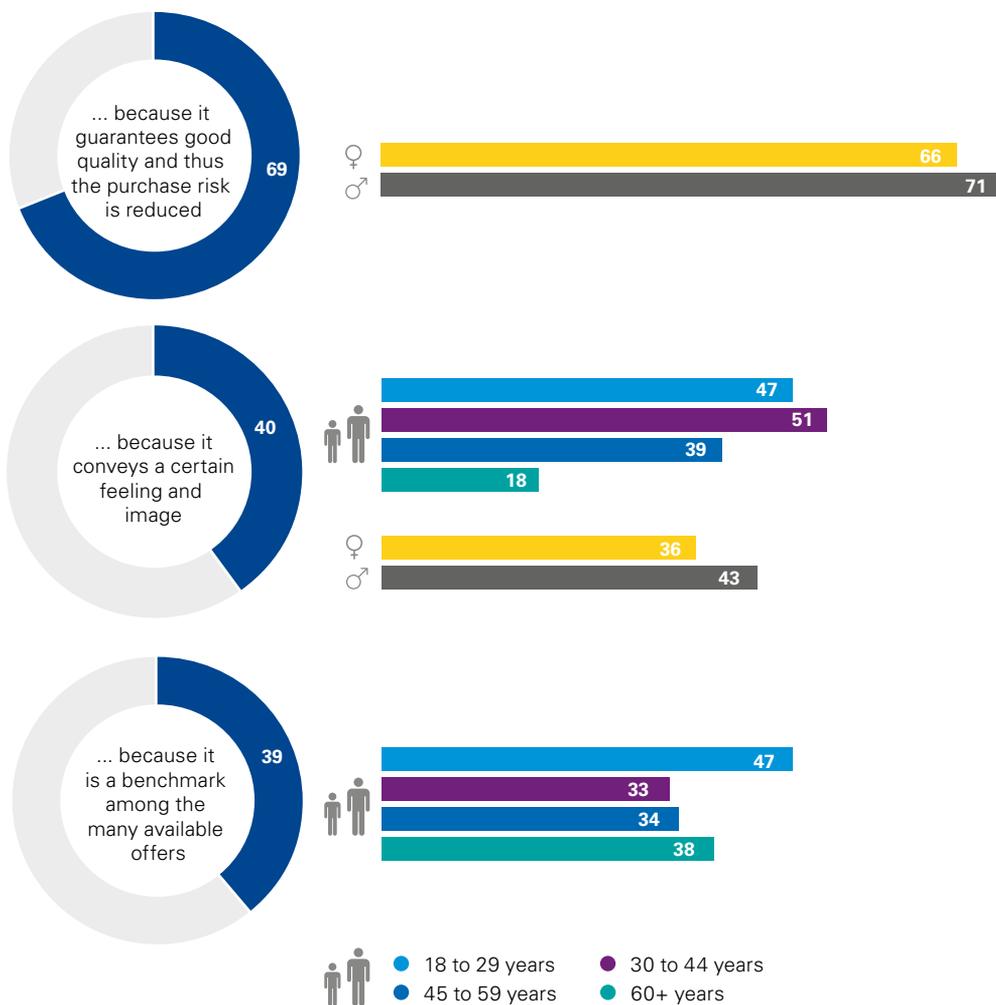
Question: A brand is important for me, ... (multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent; broken down by gender and age

Brand loyalty can be seen in about every tenth respondent. Men are more concerned about brands than women, and they also let it be known more often that they prefer certain brands in the long run.

Figure 20: Attitudes towards the importance of brands and corresponding preferences

A fashion brand is not a must.
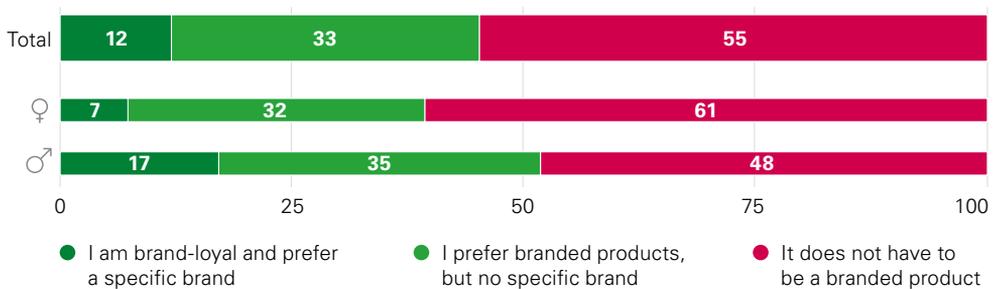
	I am brand-loyal and prefer a specific brand	I prefer branded products, but no specific brand	It does not have to be a branded product
Total	12	33	55
♀	7	32	61
♂	17	35	48

● I am brand-loyal and prefer a specific brand   ● I prefer branded products, but no specific brand   ● It does not have to be a branded product

Question: This statement about brand loyalty applies to me.
Source: EHI customer survey, 2020; figures in per cent; broken down by gender

Different evaluations of the term brand can also be observed in relation to specific items of clothing. For jeans and sportswear, brands enjoy the highest relevance, bags the lowest overall. Here, too, it is clear that men generally give greater weight to brands.

Figure 21: Importance of brands for different product groups

For jeans and sportswear, brands tend to prevail.

	Total	♀	♂
Jeans	68	62	72
Sportswear	62	61	64
T-shirts	52	47	56
Bags	37		
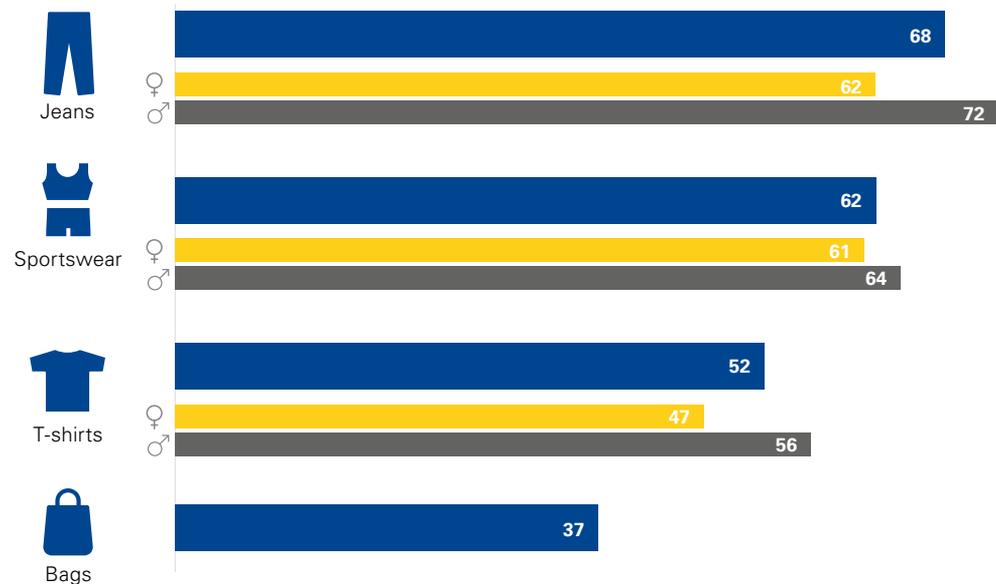
Question: Brand is important for me in ...
Source: EHI customer survey, 2020; figures in per cent; broken down by gender

Key Findings

– Textile shopping is polarising: it is perceived either as a must or as a pleasure

– Although the fashion market has a strong online orientation, bricks-and-mortar retail continues to play a significant role in clothing purchases.

– Retailers have untapped levers to positively influence on-site purchasing – especially product availability information beforehand.

– Discounts, vouchers and special promotions continue to gain in importance – both online and in bricks-and-mortar stores.

– Brand-name clothing is not a must for many, but it certainly stands for good quality. However, the term "brand" is becoming blurred; there is hardly any distinction between manufacturer brands and retailer brands.

Outlook

The challenges in the fashion retail industry are manifold. With basic needs met, retailers need to "sell to full wardrobes", whereby it is increasingly important to create incentives to buy and interact directly with the customer.

Sociability and entertainment will play a much more important role in the customer journey in the future than they do today. In bricks-and-mortar retail, location, shop design, assortment and an attractive mix of retail concepts are of great importance.

On site offers for food and drink in the immediate vicinity or in the shop also need be taken into account here. Section 3 examines other aspects of a "good" customer journey.

The past decade was very price-oriented. Many retailers have engaged in fierce price competition, which now means that customers are rarely willing to buy clothes at full price any more. It will therefore be difficult for the industry to enforce justified and sustainably calculated prices in the future. But retail can also use the momentum for its own benefit. Price promotions and vouchers are very popular with consumers and can – if used cleverly – increase sales. This instrument can be used in bricks-and-mortar stores as well as online, and also in a combination of these two channels. The goal of retailers must be to build long-lasting and close customer relationships, which is likely to be most successful if they remain in constant contact with the customer throughout the entire customer journey.

The keyword "brand" points to two noteworthy aspects with regard to clothing for the future: on the one hand, retailers have the opportunity to develop brands more themselves, as the differentiation from classic manufacturer brands is low. Shop-in-shop concepts, pop-up stores or even theme weeks are ideal for staging such events. On the other hand, retailers should look at the option of selling clothing that is suitable for projecting or temporarily anchoring brands. Branding is implemented on an occasion-by-occasion basis and is time-slice based, so that a brand is no longer permanently associated with an item of clothing. Thus, the close, permanent link between textile and brand is dissolved and replaced by temporary, flexible combinations. This approach handles intangible assets – i.e. brands – in the same way as is common with tangible consumer goods, in that personal, permanent ownership gives way to temporary use.

3
High fashion: Demands are increasing

Customer centricity

An unprecedented global speed of innovation, combined with customers' almost permanent accessibility to manufacturers and retailers, is constantly creating new customer contact points. In addition to innovative physical formats and classic advertising channels, it is above all social media and messenger offers, but also new affiliate formats[9], online shops and platforms. The orchestration and strategic use of all these different channels and touchpoints while conveying a unified brand message is one of the most important challenges for companies in the fashion industry. This section aims to provide answers to the following questions:

– Which services and solutions enable the customer to be placed at the centre of focus?
– How should bricks-and-mortar retail be designed in the future to ensure customer centricity?
– Which channels are consumers open to and which are they (still) sceptical of?
– How does the customer journey become a long-term success?

Omnichannel concepts

Essentially, it is about actively addressing and serving the customer where they are. The key here is to understand the customer, to make him the focus of all activities and to manage communication and interactions with him without media discontinuity – which is what the term omnichannel represents. Behind this is the integration of all available touchpoints[10] via any combination of sales channels.

Figure 22: Theory and delimitation of customer channels
Omnichannel is the core of customer communication.

Single channel	Multi-channel	Cross-channel	Omnichannel	Connected Retail
S	M	X	O	C
One channel.	Multiple channels. No connection.	Multiple channels. With connection.	Channels become invisible. Seamless transition. Customer at the centre.	Steer customers. Are actively integrated Platforms possible.
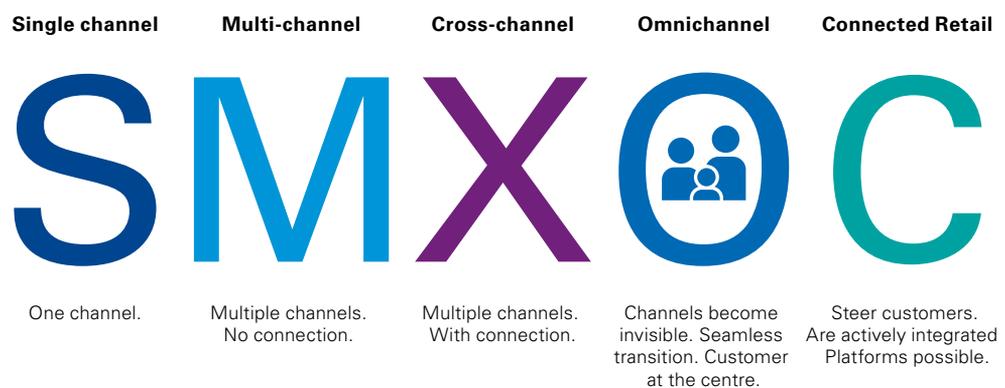
Source: EHI study Connected Retail, 2020

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9   Cooperative sales format in which an online retailer offers sales commission to sales partners for opening new sales channels, for example for including product links in fashion and lifestyle web articles or in other online shops
10   Touchpoint mix: analogue, i.e. bricks-and-mortar concepts, and digital, for example online shops, own or third-party platforms, apps

A good customer experience is particularly appreciated by self-actualisers. They are pre-destined Click & Collect users.

The better retailers succeed in seamlessly connecting all touchpoints, the more promising the customer's feeling and experience – whether on the website or in the shop.

"Customer experience must not be reduced to the online shop. The aim is to offer the customer the best possible shopping experience on all channels."

Richard Gottwald
bonprix Handelsgesellschaft mbH

The customer experience must therefore be seen in an overall context in which all digital and analogue touchpoints interact and harmonise with each other. This poses great challenges for companies – including financially – because:

"This also includes implementing omnichannel within the company itself and networking the departments with each other. The first step is to dissolve classical structures. Departments must not be separated from each other."

Harold Rubrech
Modepark Röther/
Röther Beteiligungs GmbH

Within the company, invisible to the customer, the retailer's departments merge into one unit through close cooperation. This change is not only a challenge from an organisational perspective, but also in many cases for the self-image of the company and the mindset of the individual employees.

The survey results suggest that the changes can pay off. Omnichannel is considered valuable by almost three quarters of the respondents. Women appreciate such offers more than men.

Figure 23: Desire for omnichannel concepts
The attitude of consumers is clear: retailers cannot avoid omnichannel offers.

	Yes	No	I have no opinion on this
Total	70	11	19
♀	75	8	17
♂	65	14	22
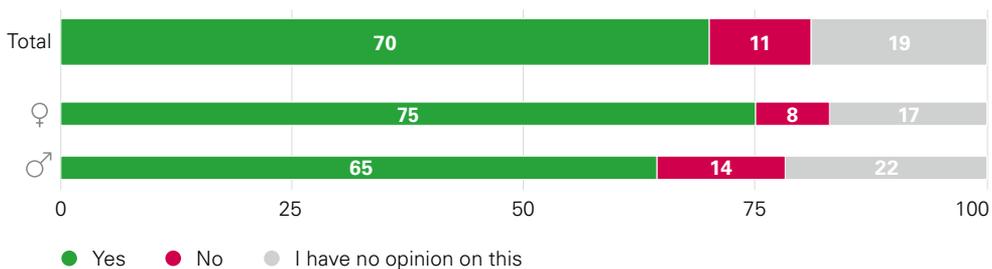
Question: I welcome retailers combining bricks-and-mortar and online shops – with offers like in-store pick-up, ordering sold-out goods, home delivery, etc.
Source: EHI customer survey, 2020; figures in per cent; broken down by gender; rounding differences possible

"Bricks-and-mortar retail and online retail must grow even closer together in the future, because customers uses both channels: they find out about the product in the shop, for which he gladly takes the advice of the staff, but then often buys online. Online and offline must no longer compete with each other, but rather complement each other in a meaningful way."

Mona Buckenmaier
RIANI GmbH

Returns management is a good example of the potential dovetailing of the online and offline worlds. The possibility to return clothes in the shop can be a success factor for the retailer – as the service creates footfall and fosters customer loyalty. Whether purchase or return or even exchange, the personal interaction with the customer offers an opportunity to advise them individually and in this way also to take advantage of cross-selling and aftersales opportunities.

The fact that the branch fulfils an important strategic and social function is also seen in the same way at Deerberg:

"Omnichannel is the measure of all things. The brand must be made physically tangible for customers, even if e-commerce is the future."

Lars Buschbom
Deerberg GmbH

When it comes to the relevance of the "human factor" in bricks-and-mortar retail, the results of the customer survey coincide with what companies say; almost 90 per cent of consumers see it as the most important factor and 60 per cent believe that interpersonal encounters are becoming increasingly important in an increasingly technological society. All the technology in the world cannot completely replace the "human factor", the social character and the communal experience of shopping. The physical shop with service staff acts as a clear counterweight to an exclusively digitally oriented business strategy.

"The most important thing in bricks-and-mortar shopping is the human-to-human component and good service. You should combine that well with digital tools, but it has to be integrated and not artificial."

Henning von Einsiedel
HOLY FASHION GROUP

Figure 24: Importance of people in bricks-and-mortar retail
Even though technology is doing more and more, without "real" employees bricks-and-mortar retail would be in a bad way.
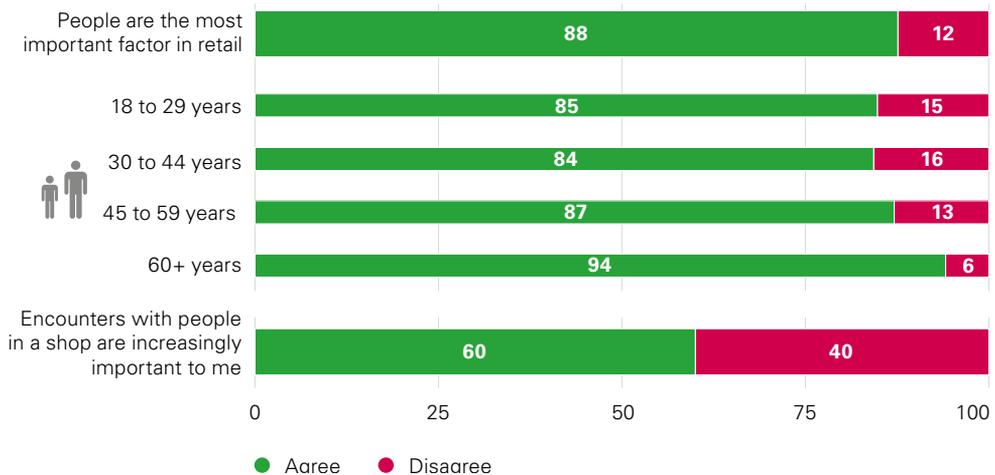
Question: Please indicate to what extent you agree with the following statements.
Source: EHI customer survey, 2020; figures in per cent; broken down by age

For the safe players, the "human factor" continues to play an important role in bricks-and-mortar retail.

Services and solutions in the context of customer orientation

A successful customer journey includes not only technical components, but also a human one. However, it is important to find out in detail how the technical aspects need to be designed.

The respondents are predominantly sceptical about the technical option of using service robots in bricks-and-mortar retail. Even among the youngest respondents – who are the most likely to describe themselves as open in this regard – only a quarter are inclined towards this digital solution. Virtual changing rooms, on the other hand, meet with noteworthy interest among many respondents.

Figure 25: Acceptance of innovations in retail
Different digitalisation solutions experience different levels of popularity.
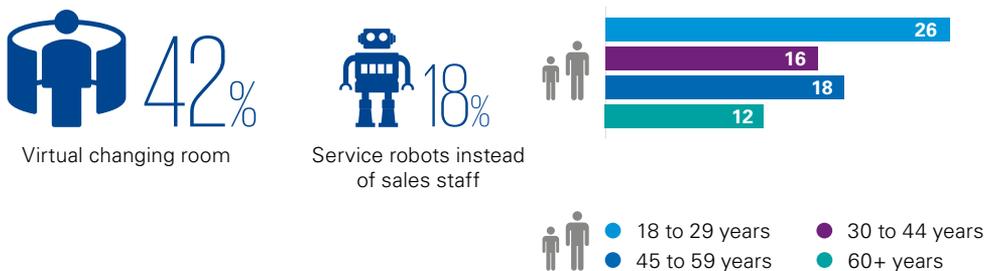
42% Virtual changing room

18% Service robots instead of sales staff

18 to 29 years	26
30 to 44 years	16
45 to 59 years	18
60+ years	12

● 18 to 29 years ● 30 to 44 years
● 45 to 59 years ● 60+ years

Question: I am open to these innovations … (multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent; broken down by age

Trend-setters find the use of service robots instead of sales staff in bricks-and-mortar retail very interesting.

In the online sector, retailers like to use chatbots for customer service, but also other digital assistants. They are used to answer frequently asked questions or for product searches. The survey results show that the youngest generation is most likely to rate such components positively, although even in this group only just under a third say so. The older the consumers, the less they see this technology as an adequate alternative to on-site advice. In all age groups, however, the majority show a negative attitude towards chatbots and other digital assistants.

Figure 26: Attitude towards digital offers instead of in-store advice
Chatbots and digital assistants have not yet earned a good reputation.

	Yes	No	I have no opinion on this
Total	24	49	28
18 to 29 years	31	42	26
30 to 44 years	26	47	27
45 to 59 years	21	54	24
60+ years	17	50	33

● Yes ● No ● I have no opinion on this
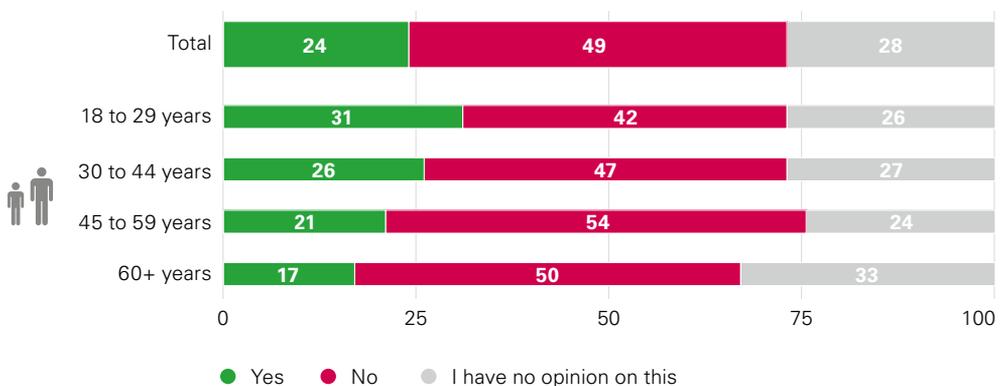
Question: Chatbots and other digital assistants are a good alternative to in-store advice.
Source: EHI customer survey, 2020; figures in per cent; broken down by age;
rounding differences possible

More than half of the respondents find purchase suggestions that are generated in the context of the product search and based on the customer's previous purchase behaviour in the online shop helpful. Again, younger consumers see a greater benefit in this than older ones.

Figure 27: Benefits of automated purchase suggestions in online shopping

Most consumers welcome product suggestions.

	Yes	No	I have no opinion on this
Total	51	33	16
18 to 29 years	62	21	17
30 to 44 years	50	34	16
45 to 59 years	44	40	16
60+ years	48	38	13

● Yes   ● No   ● I have no opinion on this
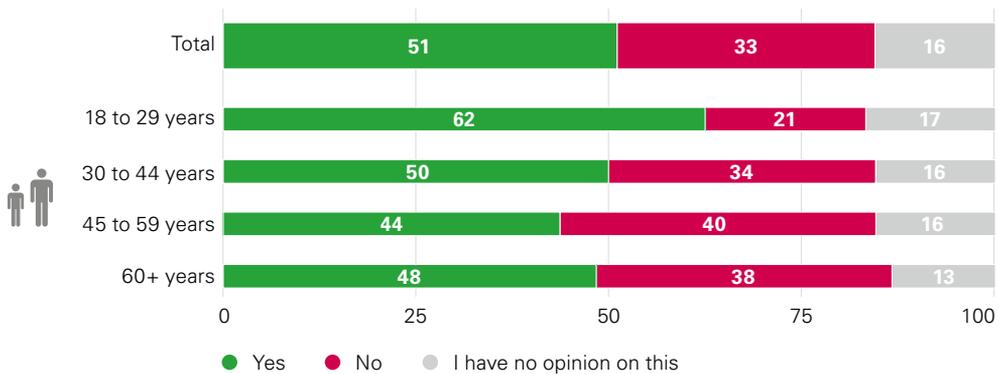
Question: I find purchase suggestions that an online shop generates based on my product search helpful.
Source: EHI customer survey, 2020; figures in per cent; broken down by age; rounding differences possible

In terms of digital solutions for consumers' mobile devices, QR codes and Near Field Communication (NFC technology) are the main options (see also Section 5). For the fashion sector, the QR code is an option to get in touch with the customer. In the case of fashion products, the code is usually attached to a separate accompanying label and is scanned by the customer using a smartphone, whereupon the customer can, for example, obtain information on the fibre content, the manufacturing conditions and the care of the goods or check their authenticity. Especially in the luxury second-hand trade, QR codes are becoming more and more important if customers want to avoid falling prey to counterfeits.

In addition, manufacturers can equip their clothing with NFC components. A corresponding chip is integrated into the clothing, which the customer can read with their smartphone. This can also be used to interactively call up information or register products.

Exciting but currently not widely used technologies for creating a special customer experience are virtual and augmented reality (VR and AR). Both options allow the customer to test garments in a virtual environment. The glasses or other devices required for this have not yet been established on the mass market, but the necessary technological infrastructure is increasingly being created, for example through the camera technology of new smartphones or through significantly shortened data transmission times made possible by the advancing expansion of 5G.

Customer acceptance as well as the economies of scale in the costs of the digitalisation solutions are crucial for their implementation or continuation by the retailer:

"Digitalisation is important to us, but the corresponding projects ultimately also need to be profitable. In other words, why should digitalisation be valued differently than measures in the bricks-and-mortar business?"

Harold Rubrech
Modepark Röther/Röther Beteiligungs GmbH

The venture must be profitable, but without investment and risk-taking in the areas of digitalisation and focus on the customer, another scenario would also be possible:

"Bricks-and-mortar retail will not die out in principle, but an orientation towards the needs and preferences of the customers will be key. The more we cooperate with and integrate partners, platforms and manufacturers, the better we can differentiate ourselves."

Scott Zalaznik
adidas AG

Customer data and its importance for marketing and customer experience

With every digital interaction with the company, the customer leaves behind data that can be of strategic importance for that company. This is where artificial intelligence (AI) and automated data analysis now often come into play. The focus is on better customer understanding and intensified interaction, oriented towards questions like these:
– Who is my customer?
– What does their customer journey look like?
– What products do they buy?
– What is their attitude, for example, towards the issue of sustainability?

The better the use and interpretation of the data, the more successful the company is in addressing specific target groups in a personalised manner and in optimising customer interaction. What is striking in the customer survey is that 30- to 44-year-olds in particular are open to personalised advertising. More than two-thirds of all consumers are willing to provide retailers with personal data – for example via loyalty cards – if this brings them an obvious benefit.

Trend-setters are willing to pass on personal data to retailers if they get a tangible benefit from it.

When it comes to further individualisation, for example the storage of body measurements, men are more open-minded than women. Moreover, the higher the income, the greater the willingness to share data. A similar positive correlation can be seen between openness to personalised advertising and higher income.

Figure 28: Personal data – importance and benefits

*Data collection is accepted depending on its usefulness*

If it is useful for me, I am willing to give personal data to retailers (e.g. customer card, individualised products)

👍 70% 👎 30%

34% Personalised advertising

18 to 29 years	35
30 to 44 years	45
45 to 59 years	35
60+ years	23

- 18 to 29 years
- 30 to 44 years
- 45 to 59 years
- 60+ years

39% Further individualisation (e.g. storage of body measurements)

♀	33
♂	36

	Up to € 1,000 income	€ 1,001–2,000 income	€ 2,001–3,000 income	Over € 3,000 income
Personalised advertising	31	30	32	41
Further individualisation	31	34	42	43

Question: Please indicate to what extent you agree with the following statements. And: I am open to these innovations.
Source: EHI customer survey, 2020; figures in per cent; broken down by age, gender and income

> Self-actualisers are open to innovative technologies – in particular personalised advertising and virtual changing rooms arouse their interest.

Companies have now recognised the great potential of customer loyalty programmes and regular customers as revenue drivers. As shown in the expert interviews, regular customers are responsible for a large part of turnover – they also provide the companies with a large treasure trove of data:

"Loyalty cards are beneficial to a business as they provide a vast amount of data and also make it easily available. The potential here lies in data evaluation and use."

Thomas Weckerlein
Wöhrl/Rudolf Wöhrl SE

The challenge is to reconcile all the data available in relation to a customer, as it is important to draw accurate conclusions about their needs. One way to identify optimisation potential is to evaluate and analyse the data traces that a customer leaves behind:
– How does the customer move around the web shop?
– Which products are they interested in?
– What is their shopping history like?
– Which e-mails do they open?

The unavoidable payment process at the end of the purchase – often a negative aspect of the shopping experience in the eyes of consumers – offers potential for optimising the user experience. As long as the payment process is not yet "invisible" (for example, through a cashierless check-out), other cashless payment options may be considered as well as customer loyalty programmes which, in particular, offer options to reduce this process to a few clicks.

Shopping without cash offers the option – especially if it is done via smartphone – to link the identification of the customer, the customer loyalty programme and the payment in terms of data technology, thus securing valuable data with regard to the customer relationship. Technically, this usually works via a (retailer's own) app, but requires the customer's willingness to install one on their device.

Figure 29: Payment options in retail
Cash payments could soon be a rarity – they are increasingly being replaced by digital options.

Universal credit card/ charge card	Co-branding credit card / charge card	Loyalty card with payment function	Loyalty card without payment function
Maestro/V PAY/ Debit Mastercard	girocard (electronic cash)	SEPA direct debit	Contactless and mobile payment
Conventional/ special internet payment methods	Finance purchase/ invoice	Gift cards/ vouchers	Cash payment
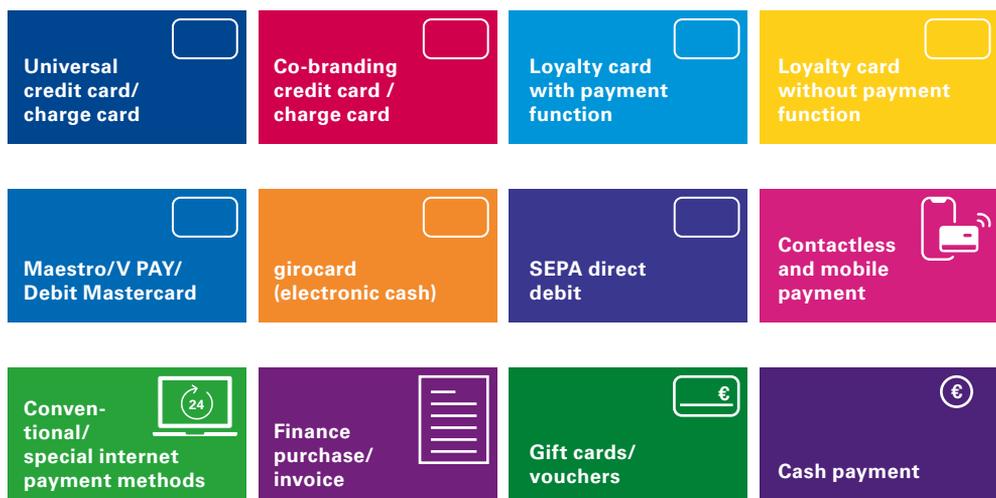
Source: EHI study Payment systems in retail, 2020

Among the cashless payment options in bricks-and-mortar retail, card payment currently enjoys the highest acceptance among the hitherto extremely "cash-savvy" customer. Contactless payment is also becoming increasingly popular. Both increased online transactions and hygiene concerns are leading to cashless payments becoming more and more common.

Figure 30: Shares of payment methods in fashion retail in 2019 (2018)
Card payment is increasingly fashionable when buying clothes.

	Cash	SEPA direct debit	Girocard + maestro/ V PAY	Credit card	Loyalty card	Invoice/ finance purchase/ other
City department stores (approx. 8 billion euros)	36.2 (37.4)	9.3 (10.0)	31.5+0.8 (30.1+0.8)	12.4 (12.2)	6.2 (6.2)	3.6 (3.7)
Textile/ sports goods stores (approx. 21 billion euros)	32.1 (33.0)	16.2 (16.8)	34.8+1.1 (33.9+0.9)	11.5 (10.6)	0.1 (0.1)	4.2 (4.8)
Specialist textile stores/ discounters (approx. 7 billion euros)	61.3 (62.4)	15.0 (16.8)	19.4+0.8 (16.9+0.8)	2.9 (2.5)	–	0.6 (0.6)
Shoe and leather goods stores (approx. 8 billion euros)	41.5 (42.8)	10.4 (10.7)	40.4+1.1 (39.1+1.1)	6.3 (5.9)	–	0.3 (0.3)

Source: EHI study Payment systems in retail, 2020; figures in per cent

Social media and social commerce are particularly suitable for intensifying interaction with customers; they can serve as important building blocks in the touchpoint mix. In particular, providers in the fashion sector can also enter into cooperations with influencers, for whom clothing and accessories always play an important role in the staging of their posts on the topic of fashion, but also in travel, party, lifestyle and home story posts, as they can be used to visually create and convey moods and feelings about life.

"Collaborations with influencers and micro-influencers are very important – they actually get you more loyal customers."

Tina Spießmacher
unown/Leasing for Good UG

However, it remains to be seen what the prospects of today's influencers who appear on social networks will be. With increasing awareness and as part of their own development as established brands, they have long been the subject of diverse analyses themselves. The future relevance and credibility for the respective target groups are quite uncertain, but it can be assumed that their further positioning in the area of tension between their own brand and the transported (industrial) brand will remain dynamic.

Key Findings

– The customer becomes the focus of all the retailer's activities, as the aim is to offer them a unique customer experience.

– Customers increasingly expect omnichannel offerings. Female and young consumers in particular demand such options, which are definitely part of their lifestyle.

– Omnichannel concepts pay off in convenience, time savings and accessibility – service elements which go beyond price. However, this poses major challenges for retailers in terms of corporate culture and structure, internal processes, staff deployment, data analysis and costs.

– No digital toolbox can replace interpersonal interaction and personal advice in the shop. Companies should create and maintain a clever link between online channels, digital assistants and bricks-and-mortar business with personalised service. This not only directly benefits the company in question, but also helps to counteract the loss of footfall and the desolation of city centres.

– The targeted use of customer data is of strategic importance and can favourably influence marketing activities, purchasing, pricing strategy and many other areas.

Outlook

With regard to the customer centricity and experience factor, the focus in the medium term will be primarily on the production of target group-specific content and improvements to the customer journey.

Structured analysis of the market, product segments and customer needs is being driven at a whole new speed in light of Big Data and customer data analysis. The focus is clearly on target group-specific marketing as an intermediate step towards an individual relationship with the customer, which, however, requires that the technical middle and back-end systems, which are invisible to the customer, are or will be effectively linked.

Stationary retail will have to differentiate itself from online retail and further expand important aspects such as personal contact and service advice. At the same time, it is important to dovetail the online and offline worlds better and more closely than before. Services such as door-to-door delivery of products bought or ordered in the shop are a good option here. The bricks-and-mortar touchpoint can also be used to record the customer's data in order to send them a message when the product is available again. This can also be directly linked to customer programmes – because retailers have recognised that membership programmes increase customer loyalty and that important insights into customer preferences can be gathered in this way.

Store concepts are adapted more individually and locally to the customers. Food and drink offers in particular are attractive additions. Retailers and cities are continuously working to increase the quality of stay in the city centre area in order to make local shopping more attractive and a pleasant experience. These include events in the shops themselves or the integration of pop-up shops. A further example: when presenting new collections, cooperations with players from other sectors can provide customers with special experiences and thus be more memorable.

"Cooperations are extremely important for the shopping experience. For example, catering concepts are available in which customers are offered a coffee or a glass of wine. Central to this is a reliable operator who can economically maintain such a location over a longer period of time. When planning new premises, cooperation and experience are now more important than the product range."

Thomas Weckerlein
Wöhrl/Rudolf Wöhrl SE

Despite the great importance of staff when it comes to customer loyalty, digitalisation will not leave the number of employees on the floor untouched. Mobile checkouts, self-checkout technologies and even automated checkouts are likely to become increasingly popular – not least because they save customers long waiting times and minimise the negative aspect of the shopping experience. Ideally, this does not mean a loss of jobs for the employees, but instead changes or even upgrades to the task profile, accompanied by further training opportunities to acquire additional skills.

In the online sector, apart from the constant improvement of filter and search functions on the website, the content itself is becoming increasingly important. There is scope for expansion in this respect by linking the collections with thematic material and by integrating more videos on the website.

Central criteria for the improvement of the web and in-store experience will be above all elements for the personalisation and individualisation of garments, accessories and shoes. But virtual shopping tours with AR support will also gain in importance in this field, especially since they will pose less and less of a challenge from a purely technical point of view. Smartphone manufacturers are constantly developing the corresponding tools, providing interfaces and integrating technologies that make AR worlds appear even more realistic. The widespread use of smartphones and falling development costs of AR applications are making it increasingly easy for companies to offer customers virtual shopping tours. In this respect, it must be taken into account that AR and VR offers will not be equally relevant for every brand due to different company sizes or target groups.

However, for some brands, it is in this area that the future of optimised customer experiences is emerging. According to Adidas, entire system worlds are being developed around the customer, detached from the original product. The speed at which suppliers (as well as users) react to trends and produce and sell products will continue to increase exponentially. There is therefore certainly no way around AR and VR components in the interaction between providers and consumers.

Another task will be the exact calculation of individual body measurements using algorithms – an important prerequisite, especially in the fashion industry, in order to avoid disappointing customers with incorrect purchases due to wrong sizes.

Furthermore, an increase in Internet of Things (IoT) applications and increasingly diverse customer interactions will unleash great potential in practice. Understanding digital touchpoints as an opportunity to interact with consumers and "pick them up" according to their needs seems inevitable. Examples include IoT chips in the soles of football boots (see Section 5) or location-based advertising that customers receive on their smartphones whenever they are near a shop.

The potential in social commerce will be exploited through storytelling in social media and the importance of influencers will continue to increase. Micro-influencers, specifically those with a reach of up to 10,000 followers, are likely to become more powerful for product-related collaborations, as relevance should be more important than numerical reach.

4
Green couture: Showing your colours is the order of the day

Sustainability

From the niche to the masses, sustainability is becoming more and more prevalent in the fashion industry and will continue to gain in importance. Increasing awareness of environmental protection and social justice is leading to a rethinking of ecological and social issues. The question of which side a sustainability movement should start from is certainly one for discussion: should sustainable supply be created first and then arouse the interest of consumers, or should demand bring about sustainable supply?

Just over half of consumers disagree with the hypothesis that it is not worth paying attention to sustainability.

Figure 31: Relevance of sustainability when buying clothes
Whether sustainability is worthwhile for consumers is debatable from the customer's point of view.

21	33	31	15

0   25   50   75   100

● Agree   ● Tend to agree   ● Tend not to agree   ● Do not agree at all
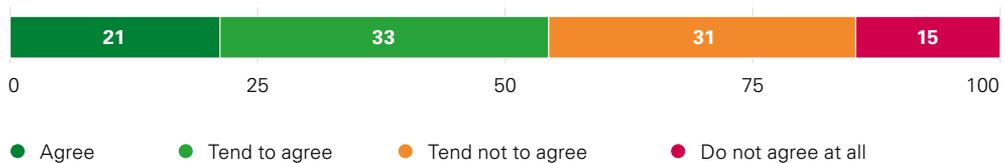
Question: As a customer, it is not worth paying attention to sustainability. (Results shown inversely)
Source: EHI customer survey, 2020; figures in per cent

Consumers are aware that sustainability is not limited to the choice of materials and the composition of fabrics. A large portion of manufacturers share this opinion.

"Sustainability does not only refer to the use of environmentally friendly materials, for example organic cotton. Rather, it is about the holistic design of all areas of the production process."

Matthias Mey
Mey Handels GmbH

A sustainable purchase decision is also defined by aspects such as fair wages or fair trade, as well as local working conditions. Particularly with regard to the aspect of fair pay, a significant difference can be observed in the purchasing decisions of the different income groups: of the respondents in the highest income class, significantly more than from the other classes say that the payment of fair wages influences their decision when buying goods.

Figure 32: Influencing the purchase decision

Fast fashion has the lowest priority in consumer shopping.

Natural fibres
59

Fair wages/Fair trade
54
50
49
49
62

Working conditions
53

Climate change
49

Chemicals
42

Microplastics (through abrasion in the wash)
41

Bio-fibres
39

Water consumption
29

Fast fashion (many collections per year)
14
25
15
11
0

- 18 to 29 years
- 30 to 44 years
- 45 to 59 years
- 60+ years

- Up to € 1,000 income
- € 1,001–2,000 income
- € 2,001–3,000 income
- Over € 3,000 income
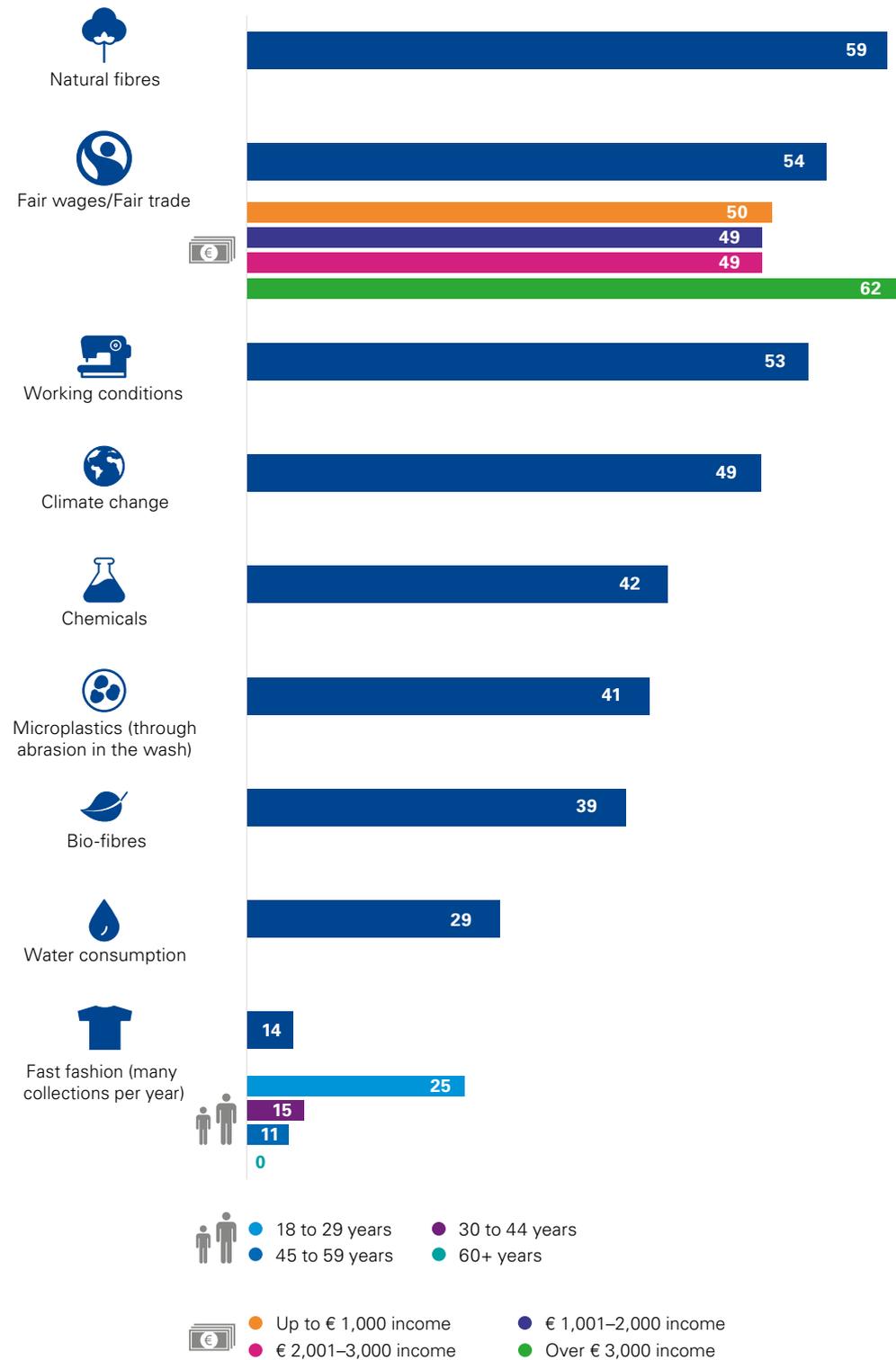
Question: Which of the following influence your decision to buy?
Source: EHI customer survey, 2020; figures in per cent; broken down by age and income

Fast fashion, i.e. the quick change of collections and selected promotional items, is only important for one in ten respondents. There is a conspicuous feature in this respect in the age groups: as age increases, this aspect becomes less and less important, and for those over 60 it no longer plays any role at all.

The companies surveyed say that "natural materials" and "fair working conditions" are the strongest arguments for customers' purchasing decisions. The results of the consumer survey confirm this assessment.

Price and sustainability – contradictions in the purchase decision

But what is the relationship between aspects such as fair wages or environmental protection and the product price when it comes to the question of what influences customer behaviour? The thesis that price comes before sustainability, including in fashion, was confirmed by more than half of all respondents. The correlation between high income and appreciation of fair pay indicated in Figure 32 is confirmed here, as those with the highest incomes are less likely than other respondents to say they value price over sustainability.

Figure 33: Interaction of price and sustainability when buying clothes
Despite noble claims, price wins out over sustainability.

Total	Up to € 1,000 income	€ 1,001–2,000 income	€ 2,001–3,000 income	Over € 3,000 income
52	55	57	60	40

Question: Price beats sustainability? For me, this saying also applies to fashion. (Yes/No)
Source: EHI customer survey, 2020; figures in per cent; broken down by income

> Experience hunters have a strong price consciousness, meaning that the sustainability aspect takes a back seat for them.

The criteria customers use today when buying clothes seem to contradict each other: more than two-thirds of respondents expect textiles to last a long time, which implies a certain level of quality. At the same time, more than half of consumers value low prices. Price awareness, in turn, shows a high dependence on disposable income. As a tendency, the lower the customer's income, the more important low prices are for them. Although low prices and sustainability are difficult to achieve at the same time, companies today usually claim to see sustainability as part of their brand DNA – knowing that only some consumers are willing to bear the corresponding costs.

Sustainable production is considered important by one third of consumers. This may correlate with the fact that, at the same time, two-thirds do not attach any importance to current fashion trends. Nevertheless, this picture needs further differentiation. For instance, there is a significant correlation between consumers' income and their approval of sustainable production as well as their attitude towards current fashion trends. High earners in particular attach importance to these two aspects, whereas people with lower incomes say that price is the decisive factor.

Figure 34: Criteria when buying clothes

The respondents attach great importance to the durability of textiles.
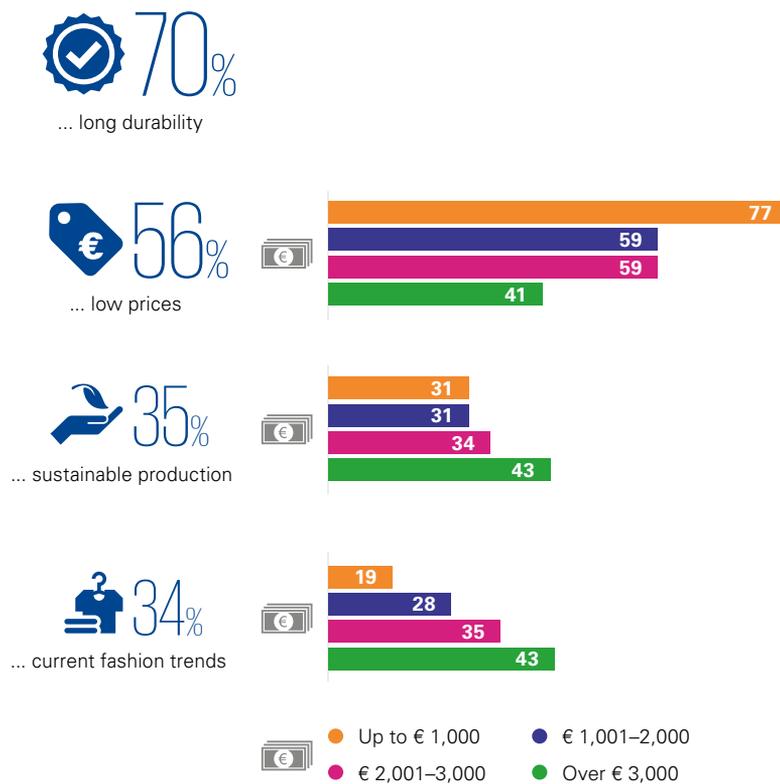
70% ... long durability

56% ... low prices
- 77
- 59
- 59
- 41

35% ... sustainable production
- 31
- 31
- 34
- 43

34% ... current fashion trends
- 19
- 28
- 35
- 43

- Up to € 1,000
- € 1,001–2,000
- € 2,001–3,000
- Over € 3,000

Question: When buying clothes, I attach importance to ... (multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent; broken down by income

Although manufacturers report a noticeable increase in attention to manufacturing, materials and working conditions – especially from the younger generation – they do not see the importance of other influencing factors diminishing.

"The purchase decision is influenced by three factors. First and foremost, the consumer must like the product. The price-performance ratio also plays a decisive role. Only after that does sustainability come into consideration as a criterion for the purchase decision."

Martin Höfeler
ARMEDANGELS/Social Fashion Company GmbH

This assessment is also shared at RIANI:

"With customers, it's always about two things: on the one hand, clothes have to be comfortable and pleasing, and on the other hand, you don't want to have a guilty conscience when you buy them. The combination of both is always a great argument."

Mona Buckenmaier
RIANI GmbH

Sustainability – who bears the responsibility?

Consumers and companies show a partly contradictory perception of their responsibility for sustainability. From the company's point of view, retailers, manufacturers, politicians and consumers largely share the responsibility and should not reject it. Furthermore, some companies even point to a special responsibility of customers as the group of actors that drives demand. Accordingly, today's customer is supplied with sufficient information and consequently has a duty to act accordingly and to critically question their purchasing behaviour. According to this way of thinking, companies merely react to demand and any changes in demand without playing a guiding role themselves.

"Customers could provide the fastest change by demanding sustainable products. We would react immediately. If the customer wants sustainable products, we offer them."

Patrick Zahn
KiK Textilien und Non-Food GmbH

On the other hand, when it comes to the question of what level concepts for climate protection should be developed and implemented, customers see the manufacturers and politicians as being primarily responsible. For instance, almost half of the respondents name manufacturers first, followed by politics. This shows that consumers expect politics to act as a regulatory authority. Customers put themselves in third place, but consider their own responsibility to be comparatively low overall. The respondents hardly take the retail sector to task at all, which suggests that customers do not yet perceive it as a player in this matter.

Figure 35: Responsibility for climate protection
*If it is up to the consumer, it is first and foremost the manufacturers who are responsible for the climate.*
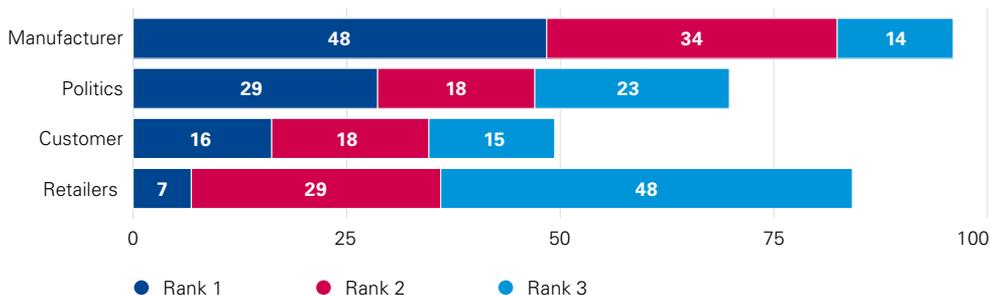
Question: I think the responsibility for the climate lies with … (ranking from 1 to 4)
Source: EHI customer survey, 2020; figures in per cent

With regard to production conditions, the situation from the customer's point of view is similar to that of climate responsibility. Here, too, the manufacturer has more of a duty than the other players if the majority of consumers are to be believed. Almost one fifth of the respondents put government in first place, who also have an important role to play. In contrast to climate protection, however, the survey participants also see greater responsibility on the part of retail with regard to production conditions. Nevertheless, its role is rather secondary. It is striking how little responsibility customers see in themselves when it comes to production conditions in the fashion industry. This raises the question as to how change can succeed when the various stakeholders struggle to see themselves as responsible, but rather see others as responsible.

Figure 36: Responsibility for production conditions
Here, too, the customer sees the manufacturers as being primarily responsible.

	Rank 1	Rank 2	Rank 3
Manufacturer	66	24	7
Politics	18	28	27
Customer	9	39	43
Retailers	8	9	23
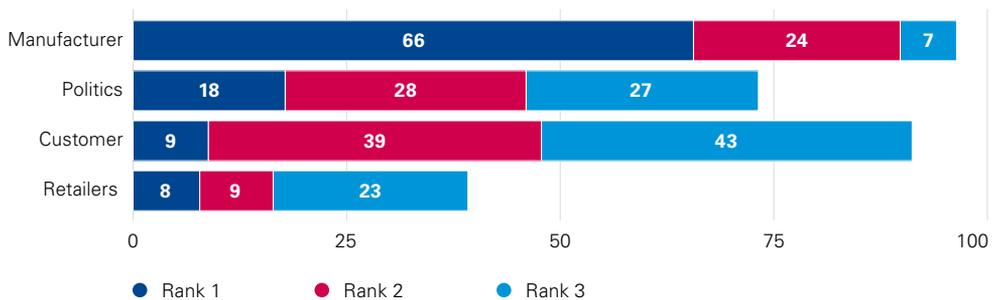
Question: I think the responsibility for production conditions in textile factories lies with …
(ranking from 1 to 4)
Source: EHI customer survey, 2020; figures in per cent

Self-actualisers see themselves as responsible for only buying garments that have been produced under good production conditions.

Companies attach great importance to politics in matters of sustainability, pointing out that only the government is in a position to create uniform and equal conditions for all stakeholders – which, depending on the political level, is more likely to be pursued domestically or even across borders. This is a clear vote by consumers and businesses in favour of a regulatory policy geared towards sustainability. Among other things, it calls for enabling as many countries as possible to build an appropriate infrastructure for compliance with a sustainability framework within the context of development policy. With regard to seals, such as the Green Button, these are not considered to be an adequate means as long as they are only used at national level:

"The least we could do would be to introduce a 'green tax' in Europe, i.e. a kind of tariff on products that are not produced fairly, so that production conditions remain in balance."

Matthias Mey
Mey Handels GmbH

A key dilemma for companies associated with different or unregulated sustainability and competitive conditions is cost:

"Since switching to a sustainable business model involves costs, many manufacturers hesitate to take this step so as not to take any risks. Legislation would ensure a level playing field for all market participants when it comes to sustainable production. Relying only on people's conscience will not be enough, because sustainability is also an economic issue for customers. So the responsibility also lies with the politicians."

Dominik Jaeth
ORSAY GmbH

When it comes to the question of supply chain transparency, retail has a central role to play from the consumer's point of view. Just under half of the respondents fully support this position, and another third also agree with some reservations.

Figure 37: Transparency in the supply chain
The customer's expectations of retail could hardly be clearer.

50	35	11	4

0 25 50 75 100

● Agree ● Tend to agree ● Tend not to agree ● Do not agree at all

Question: I expect retail to show transparency. I want to know where the goods come from and how they were produced.
Source: EHI customer survey, 2020; figures in per cent

In addition to plans for an EU directive to be adopted in 2021, the German government is working to pass the Supply Chain Act, also in 2021, which will provide the legal framework for human rights due diligence along the entire supply chain. The concrete form of this law is currently still under discussion. In the interviews conducted for this study, it emerged that the overwhelming majority of retailers explicitly want the Supply Chain Act, as they believe it creates a level playing field for all market participants. The fact that the law should only apply to companies above a certain size[11], is viewed critically in some quarters. Furthermore, it is generally considered disadvantageous that the law is only to apply nationally, which could put companies operating in Germany at a disadvantage in the international competition.

There are already numerous individual initiatives that have made it their task to protect human rights in the fashion industry. The aforementioned Green Button is one of these. However, companies are in some cases sceptical of seals as the following statement shows:

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[11] Based on the draft bill, the law shall apply to German companies with more than 500 employees, total assets of more than 20 million euros and annual turnover of more than 40 million euros.

"We are against the inflationary marketing of seals as it is happening at the moment. Take, for example, a seal like FairWear, which we very much value in terms of content. We would not be able to obtain this seal for the majority of our products because they are produced in completely non-critical countries (Germany, Portugal, Hungary, Poland) where this organisation has no certification bodies at all. This means that a product certified in Myanmar or Bangladesh might be positioned next to a non-certified product like ours – but our product is based on labour costs that are 12 to 16 times higher."

Matthias Mey
Mey Handels GmbH

A different approach would therefore be better, as outlined in the following quote:

"There needs to be a law here, but there also needs to be a change among consumers."

Robert Küper
Betty Barclay Group GmbH & Co. KG

Ultimately, the implementation of sustainability principles in retail depends on the interaction of all stakeholders. In this respect, answering the question "Does a supply need to be provided to create needs, or is it demand that creates a sustainable supply?" boils down to a systemic approach: manufacturers should create large-volume offers, politicians should provide the structural and at the same time supportive framework, and customers should be made more aware of their responsibility, all this accompanied by the conscious promotion of corresponding demand.

Sustainable fashion: rent, share, resell

The second-hand market is enjoying growing popularity, which can be attributed to the steadily increasing offer of this type of clothing, especially on online platforms, as well as to the increase in the number of customers willing to buy. Increasing sustainability awareness, but also factors such as affordable prices, availability and uniqueness of the items offered are contributing to this growth. Second-hand clothes are the most sustainable clothes because they don't have to be produced in the first place and at the same time continue to be used.

"More and more customers are attaching importance to sustainability. Re-commerce is characterised by the fact that low prices and sustainability are not mutually exclusive. Instead, you can demonstrate both price and sustainability consciousness simply because the items are not new, but used."

Heiner Kroke
Momox GmbH

Recycled clothing also takes account of the sustainability concept. However, the topic of the circular economy or recycling of raw materials from used clothing is complex – especially from a technical point of view.

"The issue of the circular economy will not be solved by any individual company alone. We need a common infrastructure for this."

Frank Henke
adidas AG

The comparison of sustainable fashion concepts shows that they generally meet with consumer approval. By a wide margin, respondents favour sustainably produced clothing when buying, but the recycling market also shows considerable potential.

Figure 38: Acceptance of sustainable fashion concepts
Sustainably produced clothing is particularly high on the agenda.

Second-hand clothing: 34 (I already buy), 28 (I can imagine buying)
Sustainable clothing: 56 (I already buy), 73 (I can imagine buying)
Recycled clothing: 28 (I already buy), 58 (I can imagine buying)

● I already buy   ● I can imagine buying
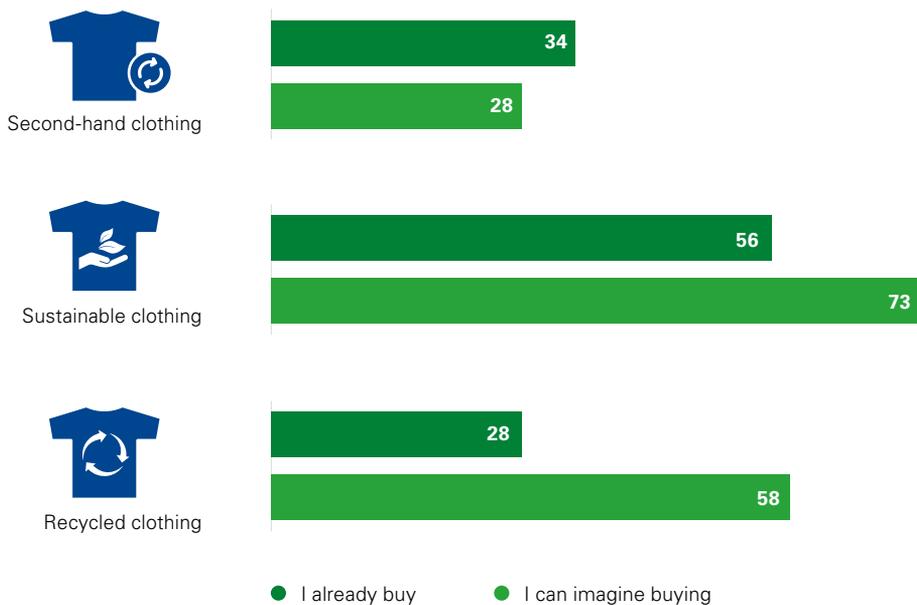
Question: I already buy ... And: I can imagine buying ...
Source: EHI customer survey, 2020; figures in per cent

The results are in line with the view of the company representatives interviewed. They see that in 2020 customers will demand the environmentally friendly production of clothing in particular and recycled goods only as a second step.

The survey results also reveal a broad spectrum of reasons why this type of clothing has not been purchased so far. Sustainable clothing is too expensive, second-hand does not match the customer's personal taste and recycled clothing is (still) hard to find on the market.

Figure 39: Considerations against buying sustainable fashion

Depending on the product group, different reasons keep consumers from buying.

	Recycled clothing	Second-hand clothing	Sustainable clothing
... this is too expensive for me	61	40	37
... the range available does not match my tastes	35	57	38
... I don't know where I can buy this	17	9	54

● Recycled clothing   ● Second-hand clothing   ● Sustainable clothing
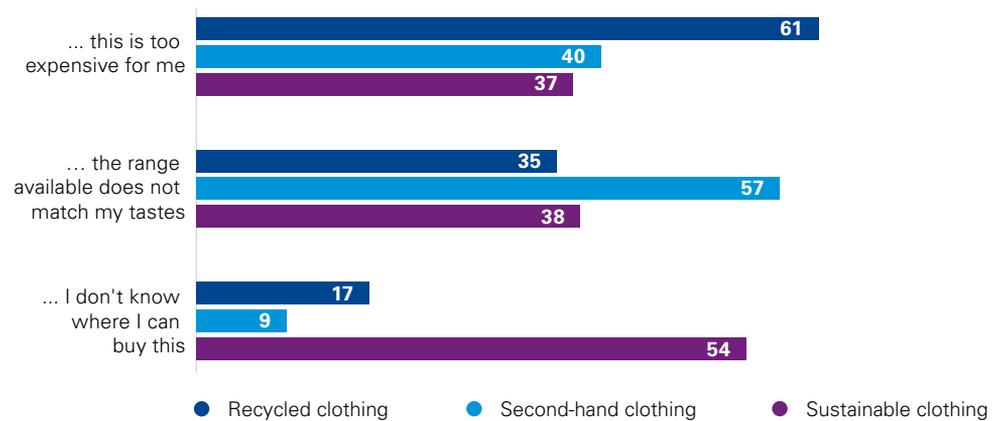
Question: I don't buy recycled, sustainable or second-hand fashion because ... (multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent

The sharing economy also makes fashion items sustainable to a degree. In the fashion world, the concept has taken the form of rented fashion and is now a real alternative to owning clothes for many people, with this principle going far beyond the long-established costume rental business. This includes, for example, the rental of occasion-related clothing, be it suits, wedding dresses or designer clothes, but also accessories. Sharing can be due to sustainability motives as well as financial motives.

This concept of "textile rental" resonates more with younger consumers than with older ones. Since 10 per cent of 18 to 29-year-olds are already sharing clothes with other people on this principle, it seems quite realistic that fashion sharing will develop into a real market segment among the younger generations.

> For trend-setters, it doesn't always have to be about buying. They can also imagine renting fashion for certain occasions.

Figure 40: Attitude towards renting clothes

Those who like to rent clothes see this primarily as an occasion-related option.

	Yes	Only on certain occasions	No
Total	5	37	58
18 to 29 years	10	42	47
30 to 44 years	6	44	50
45 to 59 years	2	35	63
60+ years		29	71

● Yes   ● Only on certain occasions   ● No

Question: I can imagine renting clothes.
*Source: EHI customer survey, 2020; figures in per cent; broken down by age;*
rounding differences possible

Returns in e-commerce

In online retail, returns processing is a core process. The fashion trade in particular is heavily affected by this – return rates of 50 per cent and more are not unusual. In addition to incorrect purchases where the goods are returned, there are also completely planned returns. A frequently mentioned example of this is the deliberate ordering of a certain item in different sizes to try on at home, with the intention from the outset that garments that do not fit will be returned, despite the basic intention to buy.

Figure 41: A guilty conscience about returns
Fading out responsibility? Most consumers do not find returns problematic.

	Agree	Tend to agree	Tend not to agree	Do not agree at all
Total	15	23	33	30
18 to 29 years	22	24	29	26
30 to 44 years	20	24	24	31
45 to 59 years	12	24	35	29
60+ years	8	18	42	33

● Agree   ● Tend to agree   ● Tend not to agree   ● Do not agree at all
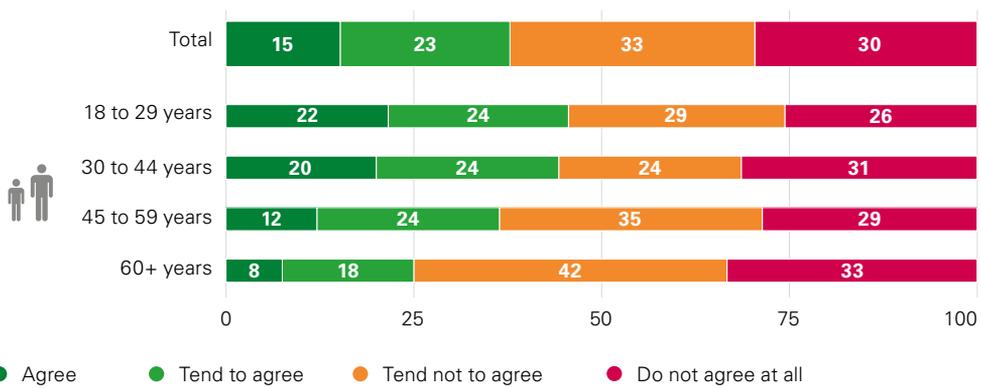
Question: When I return goods, I have a guilty conscience.
Source: EHI customer survey, 2020; figures in per cent; broken down by age; rounding differences possible

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Younger shoppers tend to feel guilty about returns more than older ones. This may be due to a higher sensitivity to environmental issues.

> Especially for experience hunters, a free return is part and parcel of online shopping.

> Safe players have a guilty conscience about returns.

Return costs are a no-go – despite an affinity with or awareness of sustainability. Only one in five currently accept return costs. Where there is talk of costs for returns, the reflex to look for another retailer or to forego the purchase altogether quickly becomes apparent. It is also noteworthy that a third of respondents consider changing channels in the event of costs for a return and then shop in the bricks-and-mortar retail shop instead.

Figure 42: Reactions to chargeable returns

If retailers demand a share of the costs for returns, they put themselves on the sidelines.

… I look for another retailer — 45
♀ 47
♂ 44

… I buy more in bricks-and-mortar stores — 32
♀ 33
♂ 32

… I don't buy it — 37
♀ 39
♂ 34

… I think this is ok and pay the return costs — 21
♀ 18
♂ 23
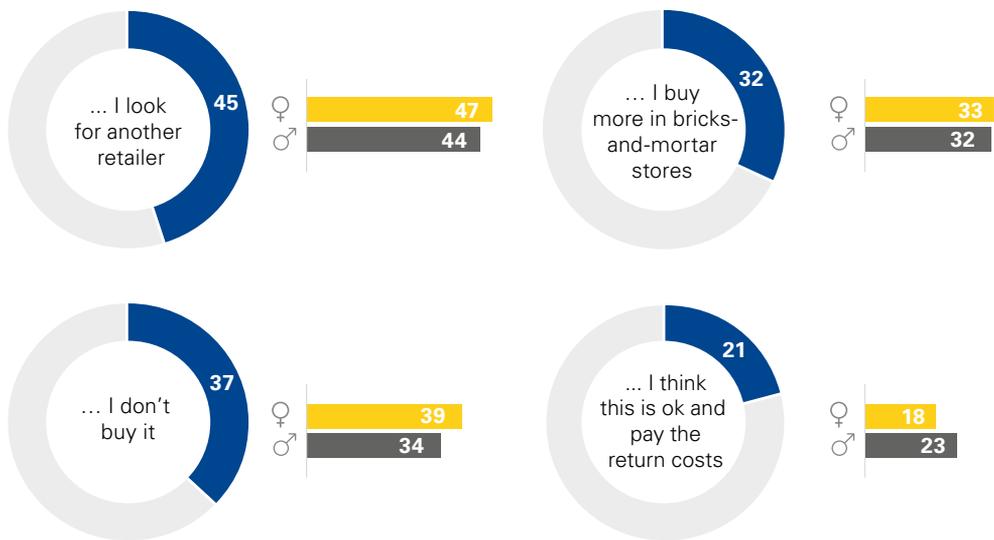
Question: If the goods cannot be returned free of charge, then … (multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent; broken down by gender

Returns, which are a daily routine in online retail, inevitably lead to a dilemma for some customers, because they want to reconcile consumption, price awareness and ecological demands. Companies may well see this differently:

"We don't want to curb returns per se, because they are part of our business in that they are comparable to trying on clothes in a fitting room in bricks-and-mortar retail. You try something on: Does the article fit or not? Do you like it or not? Does the material meet my requirements or not? A high return rate may simply mean that an online shop has highly attractive offers and carries many products that interest the customer, i.e. many things she wants to try on. Customers who want to indulge in choice are scared away by processes or mechanisms that make returns difficult."

Richard Gottwald
bonprix Handelsgesellschaft mbH

However, technical solutions can help to reduce the number of returns – without taking away the customers' desire to try on clothes. It is already possible to "digitally try on" clothes in virtual changing rooms or with the help of AR and VR components. In this way, consumers can determine whether they even like the garment and which size is the right one, even without holding it in their hands. Individual product recommendations from the retailer based on fit and style can also save costs and reduce effort.

Key Findings

Consumer perspective

– Price beats sustainability. This principle still applies to the majority of customers and concerns both the price of the clothing and the transactional costs associated with the purchase, for example postage for returns.

– Consumers are aware that sustainability does not stand or fall with the material of the product, but also includes fair wages, decent working conditions and climate change.

– The responsibility for sustainable production conditions is seen to lie predominantly with manufacturers. Retail, on the other hand, has a particularly important role to play in creating supply chain transparency. Consumers rate their own obligations as low.

– Sustainable fashion concepts are becoming increasingly popular with consumers, with recycled textiles showing the greatest potential.

Company view

– Companies know that sustainability is not the number one priority for customers when it comes to clothing, but that in reality they prioritise likeability, convenience and value for money.

– The majority of companies are of the opinion that sustainability can only be achieved in cooperation with all actors, i.e. systemically. However, politics is seen as playing a decisive role in this. That said, they also see a clear obligation on the part of consumers.

– Seals as a means of quality and product transparency are regarded critically in the eyes of companies. They expect more from a – preferably international – (supply chain) law that enforces product transparency on equal terms for all.

Outlook

The Supply Chain Act was up for pre-parliamentary vote at the end of 2020. At present, it is considered quite conceivable that such a legal code with corresponding transparency requirements will not only be implemented at national level, but also as an EU regulation.

According to a representative poll by Infratest dimap (published in September 2020), 75 per cent of citizens are in favour of a supply chain law. The central point of the draft law currently under discussion is the liability of local market participants for the conditions under which the respective product was produced. For companies, the decisive factor will be how the corresponding evidence and indemnification can be organised along the supply chain and what competitive advantages or disadvantages this may lead to – depending on the form the requirements take.

The issue of returns is a big lever for sustainability in clothing retail. Negative aspects such as the volume of traffic, the burden on public infrastructure, CO_2 emissions, packaging waste and also the frequent destruction of new goods come together here. Sustainable returns – a contradiction in terms. The dilemma facing trade is clear to see: customers indicate that free returns are a key criterion for them when choosing a retailer. This mix of factors suggests that there will be regulations in the returns sector in the coming decade. This applies both to bearing the costs and to the ecological balance a product has with the average return rate.

The second-hand clothing trend is spreading and has the potential to take a 20 per cent share of the market in the next ten years. The main drivers for further development are the growing sustainability debate, the digitalisation of the "second-hand shop around the corner" and the large online fashion platforms that are discovering this market for themselves. These providers are also the ones who are increasingly bringing temporary use models to the attention of consumers. In view of the growing sharing community for the most diverse groups of goods or economic sectors – such as mobility, furnishings or technical equipment – this trend will probably take hold quickly.

The topic of the circular economy or recycling of raw materials from used clothing is more complex – especially from a technical point of view. Many companies are already engaged in non-profit initiatives and research projects in this field to develop, build and bring to market the technologies for this. In 2030, many clothing items will probably be made from recycled textile raw materials or fibres. This substantially shortens the supply chain, as the raw materials can be obtained to a not inconsiderable extent on the sales market itself. Customers could give old clothes in lieu of payment or dispose of them in machines that resemble today's deposit machines and generate credits for the items handed in, depending on the weight and type of material. If economically viable recovery that is competitive compared to raw materials provided in a conventional way is achieved, taking into account all sustainability aspects – for example water consumption, CO_2 emissions, fair wages and the avoidance of child labour – then a new mass market can emerge here. Whether this development will be flanked or promoted by laws and regulations is an open question.

5
It piece:
With a
focus on IT

Digital technologies

Putting the customer at the centre of all activities is a central goal of companies in the fashion industry. However, ensuring a successful customer journey depends crucially on the technical processes in the middle and back office, which the customer does not perceive directly in fashion retail. Digital technologies open up considerable potential in this area, provided they are in line with customer wishes and needs. This section deals in particular with the use of AI and analysis technologies, NFC and RFID (i.e. Near Field Communication and Radio-Frequency Identification), the digitalisation of the design process and the future relevance of innovation and cooperation.

Company-side linking of the systems

In view of the massive increase in online market share, the optimisation of diverse concepts from omnichannel to connected retail is currently and will continue to be one of the biggest challenges in fashion retail. Technically, the conversion and expansion of touchpoints, the touchpoint mix and customer-related services is an ongoing improvement process. This is about the implementation and calibration of the underlying systems. Examples include payment methods, virtual consultation options, the Click & Collect principle and in-store ordering. The greatest challenge here is not the optimisation of the individual system, but rather the linking of all systems in terms of maximum customer satisfaction (for example, online shop and payment system as well as Click & Collect with on-site payment) and with regard to the individual information about the customer including their values, preferences and behaviour.

Artificial intelligence and data analysis in the company

Closely linked to the technical systems is data analysis. This field is often associated with the terms AI and analytics. A retailer survey conducted by EHI revealed that around 70 per cent of IT decision-makers from Germany, Austria and Switzerland consider AI to be the most important technological trend over the next few years. The study participants assume that AI will initially play a leading role in the field of predictive analytics.

Figure 43: Planned areas of application for AI

Forward-looking analyses are particularly important to retailers.

Category	Value
Predictive analytics	53
Site-specific allocation of goods	22
Image recognition	22
Dynamic pricing	19
Data validation	14
Personalised customer approach	13
Chatbots	11
Voice recognition	8
Predictive maintenance	3
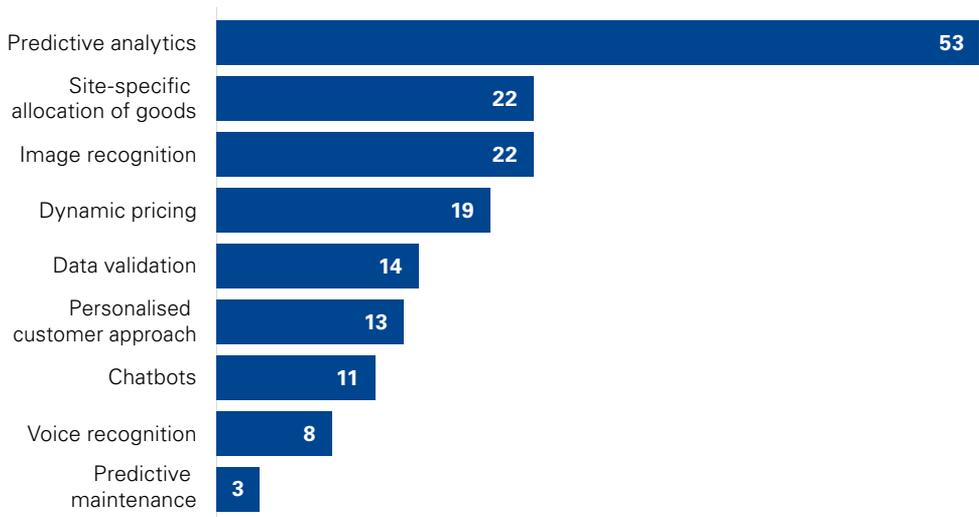
Source: EHI Retail Institute, Whitepaper "Smart Store Part 2", 2019; share of retailers surveyed in per cent; multiple answers possible

For fashion retailers, AI is often of fundamental importance in the distribution of goods, for example in the area of predictive sales analysis, as large parts of the collection are usually not reordered. A concrete use case is the distribution of goods, where, for example, the following questions can be answered:
– In which regions do which sizes or colours sell better than in others?
– What is the competitive situation at the locations?
– How can AI help to avoid or reduce markdowns?

While prices can be changed on the internet at the touch of a button, a cumbersome process chain has been used in the bricks-and-mortar sector up to now, which, in addition to adjustments in the POS system, also includes the printing and manual attachment of price tags. The use of electronic price labels now offers (in-)daily price changes, which enables the application of dynamic pricing strategies. The continuous AI-driven adjustment of prices is determined on the basis of various factors, for example local and temporal framework conditions, remaining stocks or competitors' price promotions. In this way, sales potential can be raised that previously remained unused due to less finely tuned price steps.

While such dynamic pricing strategies have long been a reality online – especially on travel portals – their application in bricks-and-mortar retail is still very limited. There is a lack of clarity in particular with regard to national or regional pricing strategies, as well as occasion-specific or individual pricing strategies, but the fear of attracting accusations of discrimination with such procedures also makes people shy away from them.

Customers, on the other hand, usually do not immediately notice the high significance of AI and analytics because the highly developed processes remain hidden from them in the background.

Figure 44: Personal advantages of AI in retail

The majority of consumers are sceptical of AI.

64	36

0   25   50   75   100

● Agree   ● Do not agree
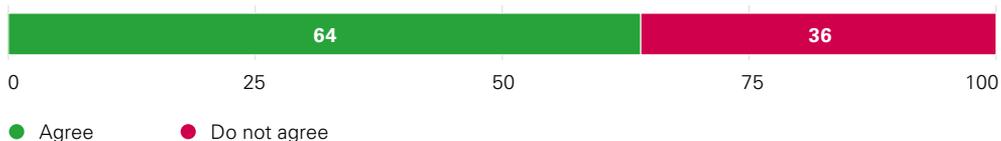
Question: I doubt that artificial intelligence in retail will benefit me as a customer.
Source: EHI customer survey, 2020; figures in per cent

Companies today definitely see a benefit in the integration of enterprise resource planning and financial systems, as they hope to see changes in the division of labour as a result. Planning is subordinated to the growing volume of data and data analytics. Thus, buyers are not replaced, but their roles are made easier by AI and algorithms on the part of the sales and marketing departments, and can thus devote more time to other work tasks.

"There will be a dramatic shift. For clerking and merchandise planning, we will hardly need any people in ten years' time."

Fabian Engelhorn
engelhorn GmbH & Co. KGaA

Many of the companies surveyed agree that digitalisation and AI will decisively change the world of work. Job descriptions, in particular, will have different contents or focuses than before, resulting in a shift or reduction of staff in some areas, for example in the checkout process, where self-checkout systems or cashierless checkout systems are increasingly taking over the workload.

Some companies see automation and digitalisation in the head office more as a supplement than as a replacement for staff, as such innovations expand employees' range of tasks and lead to a broader knowledge base, which in turn facilitates new and different processes. There is little talk of rationalisation potential – most likely with regard to interface areas such as the integration of external partners or wholesale in B2B business. Instead, the following conviction prevails:

"The analogue showroom will not disappear completely for a long time."

Henning von Einsiedel
HOLY FASHION GROUP

Near Field Communication and Radio-Frequency Identification

Section 3 already looked at the benefits of QR codes from the customer's point of view. Meanwhile, manufacturers are taking advantage of yet another technology, as they want to provide customers with information on product characteristics, the production chain or the life cycle assessment of a product, or to promote it. The means of choice are called NFC chips, which are incorporated into the products. Customers can read these data carriers with their smartphones and display the carriers' contents.

Manufacturers and retailers are also using RFID technology to an ever-greater extent, but primarily for internal company processes. Products are tagged with RFID tags that can contain a unique number as well as other data. They can be captured and read contactlessly by a reader. The use of RFID technology promises considerable simplification of processes, especially for inventories, as these are particularly complex in fashion retail due to different colour and size variants of various articles.

"RFID is exciting, but still too expensive. However, with this technology we could handle internal processes much more efficiently."

Thomas Weckerlein
Wöhrl/Rudolf Wöhrl SE

The Adler company already uses an inventory robot that travels through the shop's aisles at night and identifies both stock and misplaced garments by reading RFID-tagged items.

In the meantime, there are also a number of manufacturers – mostly from the luxury segment – who provide their garments and accessories with QR codes or chips to assure customers of the authenticity of the products. Alessandro Barbieri of Louis Vuitton comments as follows:

"We develop products with materials that are difficult to counterfeit, and since 2016 most of our bags have been equipped with a chip. This can be scanned in our stores so you can check the authenticity or also get information about the production."

Alessandro Barbieri
Louis Vuitton Malletier SAS

Digitalisation in the design process and virtual clothing

When it comes to the interplay between digitalisation and sustainability, some manufacturers and designers are taking new steps. More and more clothing is being designed with the help of 3D tools. Such components, which have not yet become established across the board in the fashion world, can not only shorten planning and production times, but also lead to less waste and improved material planning, and thus ultimately to reduced inventories thanks to significantly shorter lead and throughput times. Some manufacturers estimate a time saving of 50 per cent and noticeable savings in materials and patterns when the collection planning process is digitalised.

Companies do not see the complete automation of production as a likely future scenario, as they assume that manual labour cannot be completely replaced, especially for higher-value products (in the premium and luxury segment, especially for haute couture labels).

Virtual clothing exists exclusively in a virtual space, i.e. it is designed and programmed on the computer. It is used by and for people who stage themselves in photos and videos. Such garments go under the term non-fungible tokens – that is, indestructible tokens – if they are made in such a way that they are individual, unchangeable and cannot be copied. They can only be passed on via a decentralised database system.

An important target group for virtual clothing are influencers, who offer themselves as advertising ambassadors through their audience reach. However, the marketing of virtual garments is also becoming increasingly popular among gamers, and manufacturers are tapping into new target groups in this way. Gamers are then able to have their game characters slip into a certain outfit.

In the dynamic field between the analogue and virtual world is online staging on social networks such as Instagram, Facebook and TikTok. But how well does virtual clothing go down with consumers? The customer survey reveals that virtual fashion is not very popular with the masses. The younger, social media-savvy consumer groups (18 to 44 years) are the most likely to show interest in this type of clothing.

Figure 45: Attitude towards virtual clothing
In general, the idea of virtual fashion does not trigger much enthusiasm.
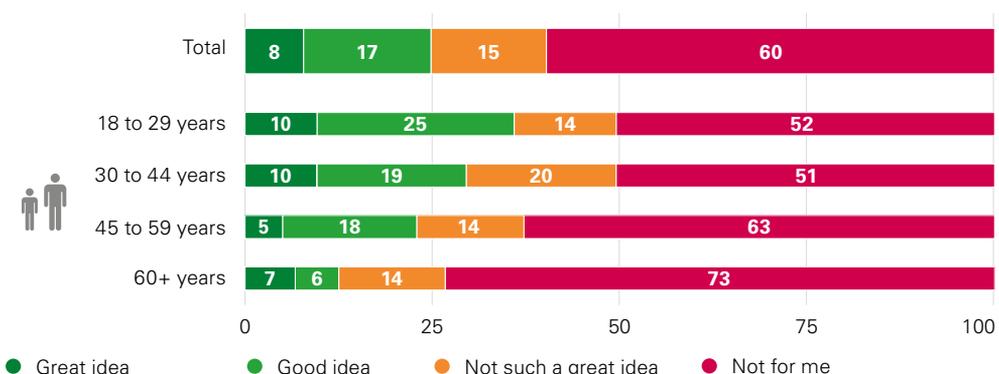
Question: I would also buy virtual clothes. Clothes that don't exist in real life but ones that I can "wear" in photos and videos.
Source: EHI customer survey, 2020; figures in per cent; broken down by age;
rounding differences possible

Product innovations and cooperations

Product innovations are a way out of sameness. They often first gain a foothold in niches and from there develop into mass products.

In the area of textile innovations, two new functions are worth highlighting. On the one hand, the option of technologically regulating the temperature of the wearer via clothing is gaining ground. A second big trend is customising and making garments – particularly popular at the moment in the area of sports shoes. The younger target groups are more open to smart fashion (textiles that collect data for medical or sporting purposes) than the older ones, but the example of temperature-regulating fabrics suggests that innovations are also likely to attract interest from other target groups, as long as the approach is tailored to the customer.

> Trend-setters like innovations. They like clothes that can change colour – so they can directly follow current colour trends.

Figure 46: Future functions of clothing

Functionality trumps creativity.

61%
... warm or cool me as needed
- 53
- 57
- 69
- 66

46%
... be individual (self-design)

18%
... change colour
- 24
- 21
- 16
- 13

17%
... analyse my sporting performance
- 31
- 19
- 14
- 5

15%
... support medical diagnoses
- 26
- 14
- 13
- 8

- 18 to 29 years
- 30 to 44 years
- 45 to 59 years
- 60+ years
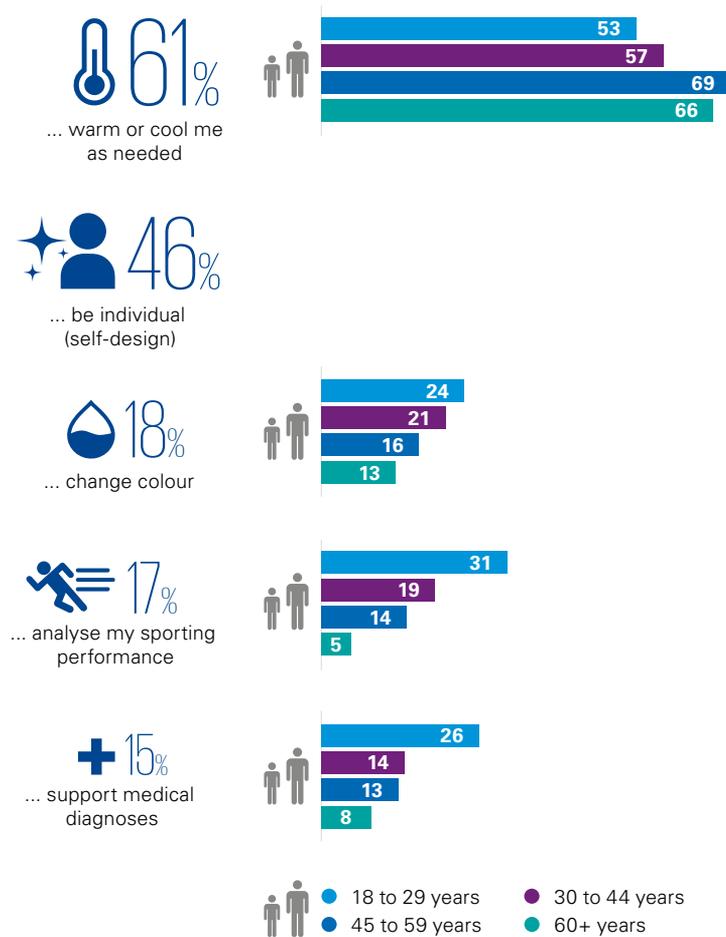
Question: In future, clothes should ... (multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent; broken down by age

Product-specific cooperation between retailers and manufacturers as well as cross-sector cooperation concepts offer companies the opportunity to combine their respective core areas of expertise and bring unique products to the market thanks to the resulting synergy effects. These can lead to an increase in the incentive to consume among customers and to a competitive advantage for the companies involved. In the sports shoe sector, for example, teamwork with tech companies is no longer a rarity. Smart sneakers, for example, are connected to the user's smartphone via an app, which allows the wearer to analyse running data using their phone or to make use of gimmicks, such as coloured flashing lights or flashing patterns in the sole.

Today's fashion industry is characterised by long, global supply chains with European design and purchasing departments close to the consumer. The latter decide on articles and collections, but production takes place in the Middle and Far East. Due to this division of labour, retailers who rely on a strongly vertically integrated business model have established themselves in the past decades in order to make the product launch of fashionable assortments particularly efficient and fast.

In addition, technological advances and the replacement of manual labour by automation in production open up ways to bring various manufacturing steps closer to the sales markets again. Automation, short distances with lean logistics as well as optimised coordination between trade and production lead to positive time-to-market effects.

Key Findings

– There are various opportunities for AI and analytics in fashion retail. In particular, the focus is on the organisation and optimisation of goods availability as well as dynamic pricing.

– The individual design of clothing shifts (final) production closer to the customer, sometimes even into the shop. Individualising "craftsmanship" is returning, with the customer being brought on board for creativity.

– The introduction of product innovations via the so-called young fashion segment appears to be the most promising. In addition, social media are well-suited marketing channels for the customers concerned.

– Cooperative partnerships in the field of digital innovations open up new opportunities to exploit synergy effects. Technology-assisted collaboration as well as automation and flexibilisation complement each other and accelerate the development and market maturity of new products.

Outlook

Business experts expect a very dynamic market for RFID technology, estimating that in five years more than 50 per cent of fashion products will be RFID-tagged thanks to improved cost efficiency. The use of chips will become more and more common, especially for high-end garments, but this technology is also becoming more popular with mass-market garment companies.

The prediction that clothing with NFC chips will become "smart" points to a world in which the Internet of Things is becoming commonplace. According to this idea, garments, merchandise carriers, employees' terminals and customers are able to communicate with each other. For example, shelves can independently contact the scheduling system when stock levels fall below minimum levels. Garments in the shop tell the service staff if they are placed on the wrong display table. The sales department is informed about which items are often tried on but ultimately not bought.

In addition to inventory and cleaning robots, service robots in particular are conceivable, which in larger branches guide customers to the desired products and assortments by voice command or summon a "real" employee.

In terms of maximum customer orientation, smart assistants in the form of mirrors are located in the changing rooms to provide the best possible customer experience. They are particularly promising where goods can be very easily identified using RFID technology. In one scenario, AI automatically selects and displays modified and complementary products.

The special feature of fashion textile retail in particular nowadays lies in the focus on collections and seasons; a large proportion of the articles will not be reordered for months or even years. This makes fashion retail very different from grocery retail, for example, where – at least for the dry goods range – sales histories can sometimes be found that go back many years. Many trend-based forecasting and scheduling systems have so far failed due to the resulting scarcity of data.

"Data-driven processes will become increasingly important in the coming years and will visibly promote intra-company cooperation between departments."

Patrick Zahn
KiK Textilien und Non-Food GmbH

The possibilities of machine learning for currently emerging and future AI systems make fashion concepts semantically comprehensible or computable for computers. For example, worlds of colour and cut, social media posts from influencers, global trends and themes can lead to the emergence of entire data worlds that are used by development and purchasing departments to underpin their decisions.

The benefits of designing and developing collections virtually are now well known on the corporate side. To enable more accurate and creative work, however, digital 3D product development must not only become faster, but also cheaper, so that it becomes established among the mass of manufacturers.

Great potential is opening up in terms of cooperation within the fashion world as well as with companies from outside the sector. Particularly in the areas of individualisation and smart fashion, such forms of cooperation offer new opportunities to respond even more specifically to customer wishes and needs as we look towards 2030.

6
Clean chic: Aligning with clear needs

Archetypes

When it comes to meeting the expectations and needs of customers more precisely than before, valuable information can be derived from various areas. In addition to classic socio-demographic characteristics (such as age, gender and income), or attitudes towards buying clothes and shopping habits, aspects of psychographic segmentation in particular need to be evaluated. This is about understanding how customers behave and, more importantly, why. Fashion retailers can use these insights into personality traits, lifestyles, values, opinions and interests in a targeted way to build trust and ensure empathetic interactions with the customer.

A particular challenge for the entire industry is that all archetypes – irrespective of income and price sensitivity – can be said to have a strong affinity with the countless discount promotions offered by textile retailers (both online and offline). Two archetypes no longer buy at regular prices as a matter of principle, and even those with an above-average awareness of quality and sustainability are increasingly enjoying the benefits of special offers and coupons.

Based on the results of this study, four basic archetypes can be identified: safe player, experience hunter, self-actualiser and trend-setter. This section provides information on psychographic characteristics and preferences that are typical for people in each group.

Price sensitivity

Focus on price
"Bargain hunters"

- Buys online or offline if the price is right
- Very price sensitive
- Buys from retailers with a wide product range
- Preference for price promotions when shopping online
- Branded clothing not a must
- Low trend awareness

Safe player

Self-actualiser

Focus on quality
"Connoisseur"

- Use of omnichannel offers (order online & pick up on site)
- No price sensitivity
- High demand for "experience" during purchase
- Pronounced quality awareness
- Focus on sustainability
- Quality and sustainability more important than fashion trends

Price sensitivity

Fashion affinity

Focus on price-performance "Demanding consumer"

– **Buys from online shops with free return shipping**

– **Desire for quality at a good price**

– **Purchase from specialists with a small range**

– **Regular use of vouchers and price promotions**

– **Branded clothing is more of an option than a must**

– **Follower instead of trend-setter**

Experience hunter

Trend-setter

Focus on innovation "Informed consumer"

– **Strong preference for online shopping**

– **Price awareness**

– **Future orientation and openness to new technologies and product innovations**

– **Soft spot for new fashion trends**

– **Brand loyalty**

– **"Digital streak" and willingness to share personal data for better customer experience**

– **Very pronounced trend awareness**

Safe player

Safe players are people of all ages. They are characterised in particular by an above-average price sensitivity and a strong need for security. This may be due to their net household income, which is low to average compared to that of the other archetypes. At the same time, buying clothes seems like a must to them; it is mainly occasion-related.

Safe players buy their clothes both online and offline. If they are drawn to a particular shop, their main motivation is to find a bargain or to support local trade. They shop there with a specific goal – impulse purchases are rather rare for them. Safety-conscious shoppers prefer retailers that offer a wide range of products with everything from outerwear to jewellery. The "human factor" also plays an important role for them, which particularly attracts them to bricks-and-mortar clothing shops. When it comes to AI in retail, they are quite sceptical, as they do not see it having any added value for themselves, although some can imagine having their physical measurements stored to individualise the shopping process.

The majority of safe players do not allocate a fixed monthly budget for clothing. A dilemma for them is the bargains in online retail, because they generally prefer local retailers, but this principle is overturned when online shops offer lower prices. Almost two-thirds of them reject buying clothes at full price and (mostly) agree that price promotions in online retail (coupon codes, etc.) have become more important to them in recent years. Consequently, they regularly access shopping vouchers and sometimes price search engines to find the perfect bargain. Occasion-related price promotions, for example on Black Friday, have also been increasingly important for a portion of this group for some years. When "the safety-conscious type" shops online, they specifically choose to do so, but have a guilty conscience if they have to return goods. A fundamental characteristic of this archetype is the preference for low prices over the latest trends and sustainable production. Nevertheless, most of this group have already purchased sustainable garments and are not averse to such products, but largely refrain from doing so because of the relatively high prices. If they do choose sustainable clothing, they pay attention to materials, working conditions and fair wages and trade. They express interest in transparency regarding the place of origin and production conditions, and see the responsibility for the latter lying with retail, and partly with manufacturers and politicians.

Safe players have a wide range of garments and wear them regularly. Their repertoire includes mainly classic items, but hardly any trendy pieces or branded goods, as price is their priority. If they do buy a branded product, this expresses a feeling of security that they are getting a high-quality product at a low purchase risk.

63% generally do **not buy goods at full price.**

	Unimportant → Important
Product quality	(marker left-center)
Price	(marker far right)
Experience	(marker left-center)
Innovation	(marker far left)
Sustainability	(marker right)
Trend awareness	(marker center)
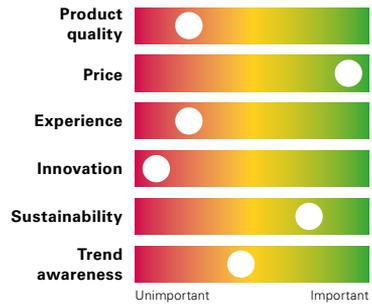
Figure 47: Top 3 criteria when buying clothes

72 — Low prices

31 — Current fashion trends

30 — Sustainable production

Question: When buying clothes, I attach importance to …. (Multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent

Figure 48: Brand loyalty in the choice of clothes
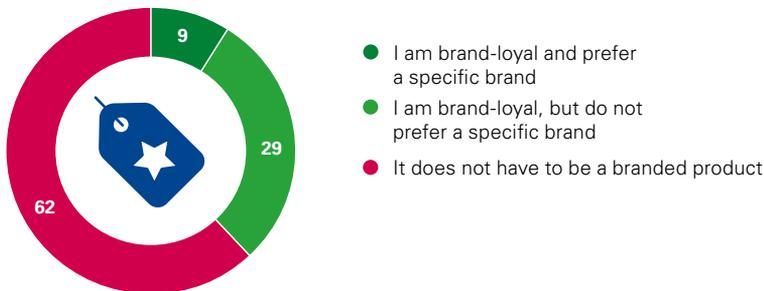
- **9** ● I am brand-loyal and prefer a specific brand
- **29** ● I am brand-loyal, but do not prefer a specific brand
- **62** ● It does not have to be a branded product

Question: This statement about brand loyalty applies to me.
Source: EHI customer survey, 2020; figures in per cent

Figure 49: Importance of price promotions in online retail
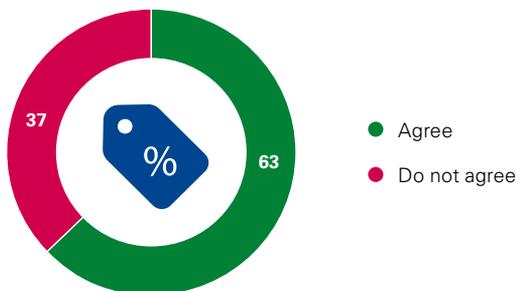
- **63** ● Agree
- **37** ● Do not agree

Question: Price promotions (for example, coupons, vouchers, online events) have become more important to me because of online retail.
Source: EHI customer survey, 2020; figures in per cent; cumulative responses agree: agree and tend to agree; disagree: disagree and tend to disagree

Self-actualiser

Self-actualisers are usually singles or couples, from all age groups. They prefer to shop where they feel it is a special experience and pay attention to good product quality.

Self-actualisers are bon vivants. A good customer experience means a lot to them and significantly influences their choice of certain shops or online shops. They welcome retailers combining their bricks-and-mortar shop with an online shop and are predestined Click & Collect shoppers. When buying clothes, they particularly value personal contact with people – and describe the "human factor" as the most important thing about stationary retail – but broad and varied ranges are also relatively important to them, which they always prefer to specialised retailers.

This archetype attaches great importance to the quality of garments, more precisely long durability, and also prefers sustainably produced pieces. Self-actualisers already buy sustainable clothes and even have "recycled clothes" in their wardrobe. They expect retailers to be as transparent as possible about production conditions and feel a responsibility to only buy garments where they find nothing wrong with the production conditions. Current fashion trends are less important to them.

Self-actualisers are basically open with regard to innovative technologies and are particularly interested in virtual changing rooms and personalised advertising. For a better customer experience and personal benefit, they are willing to give retailers personal data, but they do not consider purchase suggestions generated by algorithms to be particularly helpful, nor the use of chatbots and other digital assistants in place of "real" contact persons. Self-actualisers associate the keyword of product innovation with functional innovations, such as clothing that warms or cools when needed, while they have little use for the analysis of vital figures, for example during sport or to support medical diagnoses.

For this archetype, it may be brand-name clothing, but this is by no means a must for everyone. When they buy branded goods, it is not so much because of a particular label, but rather because of their requirement for quality and sustainability. In some cases, self-actualisers set themselves a fixed monthly budget for clothes, while also "taking away" occasional discount or price campaigns from time to time.

62% see the **responsibility** for **production conditions** in textile factories **as lying with the customer.**

	Unimportant	Important
Product quality		●
Price	●	
Experience	●	
Innovation	●	
Sustainability		●
Trend awareness	●	
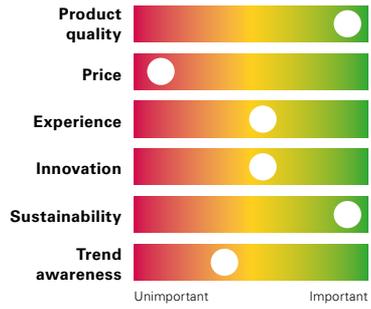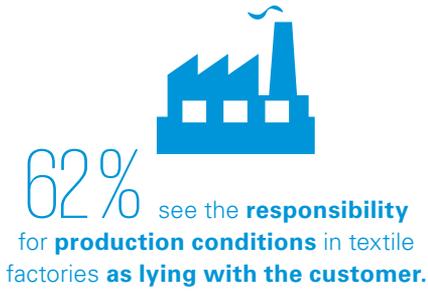
Figure 50: Top 3 reasons to shop more often in bricks-and-mortar stores

26 ... shopping were an experience

20 ... there was expert advice

13 ... the business hours were different

Question: I would buy more often in bricks-and-mortar stores if ... (multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent

Figure 51: Importance of price promotions

Importance of occasion-related price promotions has increased — 40 / 60

Importance of price promotions has increased due to online retail — 53 / 47

● Agree
● Do not agree

Question: Occasion-related price promotions (like Black Friday) and open Sundays have become more important for me. And: Price promotions (for example, coupons, vouchers, online events) have become more important to me because of online retail.
Source: EHI customer survey, 2020; figures in per cent; cumulative responses agree: agree and tend to agree; disagree: disagree and tend to disagree

Figure 52: Brand loyalty in the choice of clothes

14 / 35 / 51

● I am brand-loyal and prefer a specific brand
● I am brand-loyal, but do not prefer a specific brand
● It does not have to be a branded product

Question: This statement about brand loyalty applies to me.
Source: EHI customer survey, 2020; figures in per cent

Experience hunter

This archetype prefers to buy clothes online, paying particular attention to the price-performance ratio and the overall package of the offer. This group includes many couples of all ages – with and without children.

Experience hunters are particularly demanding. When buying clothes, they expect good quality at reasonable prices and will buy if the overall package of the offer is balanced in their eyes. They usually buy from online shops, which for them comes with the following benefits: convenient, attractively priced, coupled with a positive shopping experience. A must is the option of free return shipping, because for them returns are part of shopping online, and they do not have a guilty conscience about sending items back. If they have to contribute to the return costs themselves, this reduces the value for money in their eyes and has a negative impact on the customer journey.

For experience hunters, the best offer is at the top of their priority list, while still valuing the opportunity to keep up with new trends. In view of the strongly pronounced price consciousness, sustainability comes up rather short in this buyer group due to the relatively high price of such products. If experience hunters decide to buy sustainable products, they do so because of their interest in natural fibres, but also in decent working conditions and fair wages as well as fair trade. As far as responsibility for production conditions is concerned, they see manufacturers in particular as having a duty to fulfil.

Experience hunters are not particularly interested in buying branded clothing, even though they believe that the term brand stands for good quality. If the price is attractive, they like to choose branded products, but hardly ever a specific label.

This archetype represents people who do not like to buy at the original price, which is why they always use vouchers and discount coupons to save money and to bring price and performance into what they see as a positive balance. They are also very open to personalised advertising. They see this as an opportunity to get a good deal, as they are always looking for a "particularly good deal".

81% make a conscious decision to **shop online.**

	Unimportant → Important
Product quality	●
Price	●
Experience	●
Innovation	●
Sustainability	●
Trend awareness	●
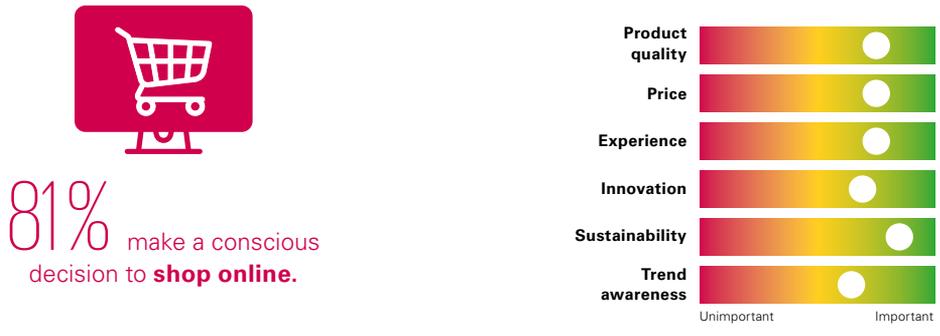
Figure 53: Top 3 reasons to shop more often in bricks-and-mortar stores

51
... it were cheaper than online

14
... there was expert advice

9
... the business hours were different

Question: I would buy more often in bricks-and-mortar stores if ... (multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent

Figure 54: Relevance of free returns

6

94

● Important
● Unimportant
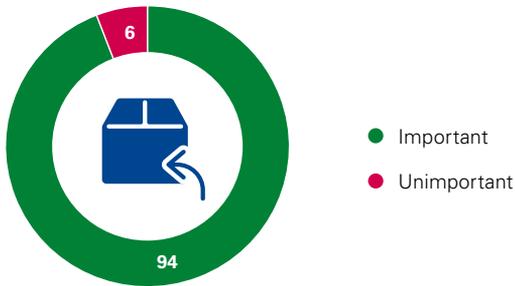
Question: When I return goods, I certainly do not want to pay shipping costs for the return.
Source: EHI customer survey, 2020; figures in per cent; cumulative answers important: important and relatively important; unimportant: unimportant and relatively unimportant

Figure 55: Key criteria when buying clothes
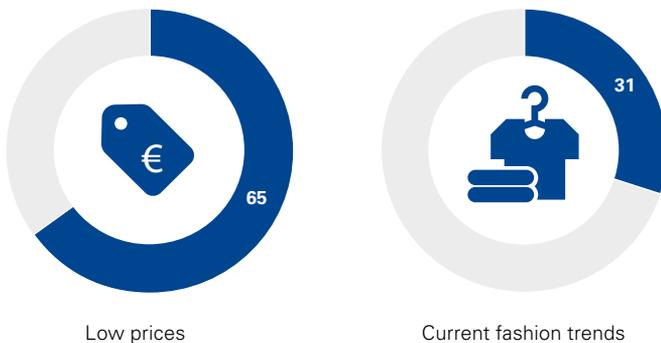
65
Low prices

31
Current fashion trends

Question: When buying clothes, I attach importance to .... (Multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent

Trend-setter

Trend-setters are found in all age groups and usually have a higher net household income compared to the other archetypes. They prefer to buy at low prices, follow current fashion trends and are very open to innovations.

Trend-setters shop primarily on the internet and believe that in the long term all retailers should offer their goods online. When choosing a retailer, they always look for the option of free returns. Trend-setters are inclined towards innovations and new (AI) technologies, not least virtual changing rooms. They even consider the use of service robots instead of sales staff in bricks-and-mortar retail to be a possibility. Trend-setters also see the use of algorithms for the personalisation of advertising as positive, but they do not rate AI-supported purchase suggestions in online shops as particularly helpful. Moreover, if they expect personal benefits, shoppers in this group are quite willing to give retailers personal data. Beyond technological innovations that make the shopping experience more appealing from their point of view, trend-setters are also interested in innovative products. They describe various proposals from this area as appealing – for example, the idea that items of clothing can change colour so that one and the same item can always follow new colour trends or even set a trend itself, or even the ability to analyse athletic performance via clothing or compile data on their physical condition for medical diagnoses.

Trend-setters don't just shop online, however; they also like to stroll through shopping districts and streets. They are primarily interested in being inspired, not so much in spontaneously buying something. If a certain item of clothing has caught the trend-setter's eye during their "research", they make a targeted purchase decision. When it comes to choosing a retailer, however, these buyers are not particularly choosy; they buy the object of their desire from both specialised retailers and generalists – the main thing is that the style is appealing. They would shop more often in bricks-and-mortar retail if it provided a better shopping experience.

This archetype stands for people who, for all their innovation and fashion conscious-ness, rarely disregard the price, meaning that they repeatedly redeem vouchers. For most of them, price beats sustainability. Still, most of the wardrobes of this group also contain sustainable and sometimes recycled clothing. Incidentally, for trend-setters, it doesn't always have to be a purchase when it comes to new fashion items. For certain occasions, they would also be willing to rent clothes – the perfect way for them to test current fashion trends in a sustainable way that is also easy on the wallet. But whether buying or renting, trend-setters value brand-name clothing, which they believe stands for quality above all else. Apart from this, they consider the production conditions (for example, the materials' place of origin) of clothing to be very important and expect maximum transparency from the retailer in this respect. As far as specific labels are concerned, trend-setters show greater brand loyalty than everyone else, especially with regard to manufacturer brands.

76% are willing to give retailers **personal data** if they **expect to benefit from it.**

Criteria	Unimportant — Important
Product quality	(high)
Price	(low)
Experience	(high)
Innovation	(very high)
Sustainability	(low)
Trend awareness	(very high)

Unimportant — Important

Figure 56: Key criteria when buying clothes
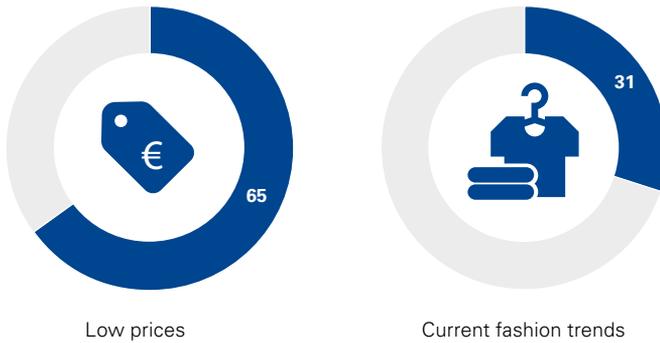
65
Low prices

31
Current fashion trends

Question: When buying clothes, I attach importance to …. (Multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent

Figure 57: Brand loyalty in the choice of clothes

20
39
41

- I am brand-loyal and prefer a specific brand
- I am brand-loyal, but do not prefer a specific brand
- It does not have to be a branded product

Question: This statement about brand loyalty applies to me.
Source: EHI customer survey, 2020; figures in per cent

Figure 58: Openness to innovations
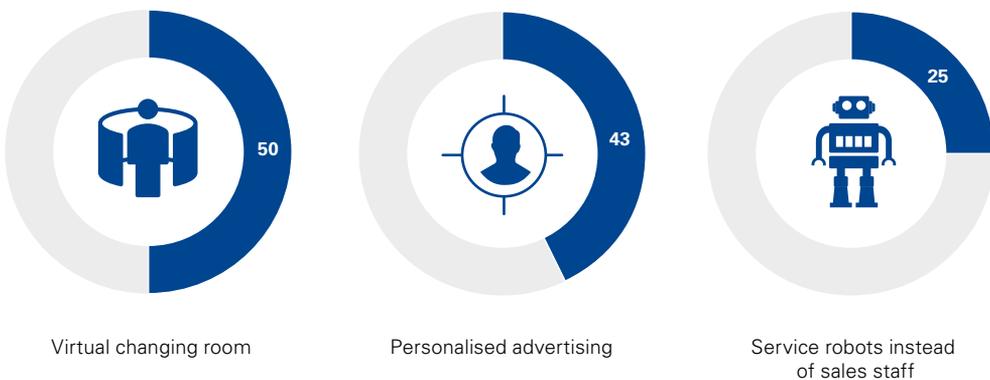
50
Virtual changing room

43
Personalised advertising

25
Service robots instead of sales staff

Question: I am open to these innovations. (Multiple answers possible)
Source: EHI customer survey, 2020; figures in per cent

7
Eye-catcher:
All eyes on
the future

**Scenario analysis –
Fashion 2030**

In 2030, the upheaval in the fashion market, which has already been apparent for several years, will have resulted in a completely new market situation. The coming decade will be one of social and economic transformation, in which the fashion industry will play a central role. Under these circumstances, the question is: How will companies deal with the following megatrends that emerged from interviews with experts?

– Circular economy
– Re-commerce
– Retail space reduction
– Customer journey
– Digitalisation and connectivity

What impact will these trends have on the existing business model and what measures will market players derive from this? There will be no single solution that applies in equal measure to all companies. Much will depend on how other market players position themselves strategically. It can be assumed that there will also be more regulatory measures on the fashion market from a political perspective. If this assumption proves true, the circular economy will constitute a distinct structural element of the fashion market in 2030. With regard to the reduction of sales and retail space, the question is not so much whether this trend exists, but rather at what speed it will continue. Against this background, the following two scenarios are emerging:

Megatrends 2030	Scenario 1: Sustainable-communicative	
Circular economy	Sustainable-regulatory	Sustainable-inert
Re-commerce	Sustainable	Sustainable-inert
Space reduction	Less than 50 per cent	More than 50 per cent
Customer journey	Successful customer relationships	Erratic and anonymous customer relationships
Digitalisation and connectivity	Communicatively networked	Defensive with poor communication

Megatrends 2030	Scenario 2: Sustainable-anonymous	
Circular economy	Sustainable-regulatory	Sustainable-inert
Re-commerce	Sustainable	Sustainable-inert
Space reduction	Less than 50 per cent	More than 50 per cent
Customer journey	Successful customer relationships	Erratic and anonymous customer relationships
Digitalisation and connectivity	Communicatively networked	Defensive with poor communication

In addition to these two scenarios, others are possible that result from various combinations of the megatrends with their different characteristics. It becomes clear that strategic management of fashion retail has to involve substantial decisions regarding space, customer relationships and the digitalisation of the business model. In order to be able to make the best possible decisions about these future-oriented issues, a basis for planning is needed. Here, effects that can strengthen other areas and competences that have already developed in certain fields and can be generalised must be taken into account. In addition, decision-makers should include options and measures that serve to ensure acceptance and understanding within the organisations with regard to far-reaching changes.

Without a long-term orientation, however, the various market participants – when considered individually – are unlikely to be successful in the coming decade.

We will look at the situation again in 2025. Then, in a retrospective, we will evaluate the development of the fashion market as well as the successful and less successful strategies and look ahead to the coming years with their new challenges and trends.

Megatrend – Circular economy 2030

Sustainable-regulatory scenario	Sustainable-inert scenario
Sustainability has become the standard due to legal regulations. The Recycling Management Act has been in force since 2021.[12] Traders are obliged to keep goods fit for use for as long as possible. Textiles are part of an organised market where consumers receive money for discarded clothes. Depending on their material and condition, these clothes are either reused (see megatrend re-commerce) or recycled. For this purpose, return stations are being set up all over the country which are similar in function to the deposit machines in the beverage industry. In addition to return stations, in-store recycling systems can also be found on the market that turn old clothes into new items in just a few steps. To enable comprehensive and effective recycling, and to avoid the abrasion of minute particles of man-made fabrics, the use of synthetic fibres is restricted in favour of natural ones.	Customers welcome ecologically thoughtful garment manufacturing and transparency in the supply chain, but the shift to the circular economy is slow and willingness to pay for sustainable products is low. Although the Recycling Management Act is in force, there is no organised market that values the textiles used. Collection containers for used materials are accessible free of charge, but there is no financial remuneration for handing over the raw material. The common fate of used clothing is disposal as rubbish. The recycling market is struggling with profitability due to a relatively low recycling rate of materials and poor availability of suitable technologies. Fashion brands specialising in recycling are still niche players.

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[12] The Recycling Management Act establishes duties of care that regulate, among other things, the return, reuse and recycling of goods as well as cost sharing for environmental protection measures.

Megatrend – Re-commerce 2030

Sustainable scenario	Sustainable-inert scenario
Re-commerce has arrived on the mass market and accounts for 20 per cent of the total market volume.	Re-commerce is still a niche product. This sector does not exceed a maximum share of 5 per cent of the total market volume.
The online and offline suppliers of second-hand clothing have become a critical mass. Professional, competitive structures exist for both buying up and selling used textiles.	The market is tending to increase, but without much effect on the conventional business with new goods. Temporary use concepts struggle to seize consumer interest.
This business model works just as well in terms of service (returns and exchanges) as the conventional trade in new textiles.	In purchasing, commercial market participants compete with charitable organisations that accept clothing without payment.
Some of the re-commerce competitors are well-known textile chains. Besides pure re-commerce companies, the relevance of online marketplaces in this segment is very high.	Price-reducing effects from standardisation and volume growth are absent due to a lack of market volume.
The conventional trade with new goods and the turnover of second-hand clothing complement each other, especially for brands that do not belong to the fast fashion segment.	Market participants are dominant individual formats as well as larger platforms that include re-commerce as an additional category.
	Customers accept second-hand goods except in the entry-level price segment, especially in the high-priced brand segment.

Megatrend – Space reduction 2030

Scenario of space reduction below 50 per cent	Scenario of space reduction above 50 per cent
After consolidation, the fashion industry has found different formats and a new balance between on-site and online offerings.	Due to continuing productivity losses, the sector is substantially reducing its space and the number of branches – including through insolvencies.
City centres continue to act as magnets with agglomeration effects for retail. This is the result of structured cooperation between retail, services, gastronomy, culture and entertainment. Time spent in shops is increasing.	With the exception of a few flagship stores, local suppliers dominate the retail space. City centres are not developed in a focused manner by city administrators, traders, real estate project developers and investors.
The importance of space is decreasing, and formats are shrinking and giving way to much more service-orientated concepts. Areas beyond the ground floor and the first floor are hardly ever occupied by retailers.	Only a few store-based players are succeeding in becoming omnichannel players. Most successful online competitors have no area history.
Local supply remains the second pillar of fashion retail.	Large areas of several thousand square metres are disappearing completely. Retail space fashion trade takes place almost exclusively on the ground floor. Yields on retail properties are coming under substantial pressure across the board.
The market shares of online and bricks-and-mortar retail are almost equal.	Only a few retailers are managing to be represented with their branches in the city centres.
	For the clothing market, online retail is becoming the main sales channel.

Megatrend – Customer journey 2030

Scenario of successful customer relations	Scenario of erratic and anonymous customer relations
Socialising and entertainment are central elements of the customer journey.	Meeting needs and price orientation form the reason or the basis for the customer's purchasing process.
Shopping becomes part of an individual customer journey that includes entertainment, social interactions and consumption.	The consumer switches between short and long customer journeys with different elements. Shopping is primarily associated with duty and burden. Accordingly, the process is not perceived as an element of shaping one's life, but as a necessity that must be dealt with as quickly and cheaply as possible.
The retail shop is a physical touchpoint with components from consumption, service and on site food and drink offers. Authentic advice focused on the individual customer is offered there. The goods can be taken away directly or delivered to any address.	Without a nationwide shop network, the position of the traditional retailer in the customer journey is weaker than before. Due to the sharp decline of shops and businesses in city centres, the remaining agglomeration no longer functions as a consumer magnet. Customers who do not feel connected to the retailer partly use price search engines to find the cheapest offer on the internet.
Communication with the customer is comprehensive: social media, newsletters, individual promotions, loyalty programmes as well as in-person approaches by staff ensure an optimal number and intensity of customer contacts and the perfect transmission of relevant messages.	Fashion retailers are reacting with a strategy of fewer high-end flagship stores and are very cautious with regard to sites outside the prime locations. Local supply is also being "slimmed down", both in terms of the number of shops and the quality of the presentation of goods. More and more stores are becoming "dark shops" (closed shops that only serve as commission stations) or now fulfil other logistical functions.
The messages become consolidated, target group-specific offers via smartphones, watches and glasses. Chat functions and digital payment options are now a central aspect of the customer journey. The selection, sequence and allocation of resources between entertainment, food and drink and retail are made according to the spontaneous whim of the consumer.	The fashion business essentially takes place on platforms that manage to attract a high frequency of customers. This is where B2C and D2C models compete. The online world draws its appeal from a mix of comprehensive service, individually curated selection, brands and influencers as media and social media for a sense of community and advice among friends.

Megatrend – Digitalisation and connectivity 2030

Communicatively networked scenario	Defensive, communication-poor scenario
Data analytics and AI enable successful personalised marketing and the integrated optimisation of all business processes. The online market share of the industry is growing to 50 per cent. For the customer, digital is the norm.	Digitalisation in retail leads to staff reductions and in some cases to efficient processes. The online share of the industry is growing to 50 per cent. For the customer, digital interaction is normal.
Smart mirrors, smartphones and AR or VR glasses enable consumers to test the "look and fit" of garments both at home and in-store.	A shrinking turnover in shops leads to a restrictive investment policy in retail. On a superficial level, the technology focus is on cost reduction.
Investment budgets for retail shops are being increased as there is a need to create an infrastructure in which the digitally connected customer feels comfortable. Customers and shops are connected through technology. The smartphone and AR or VR glasses know the shop layout, the articles and the customer's purchase history and lead him directly to the appropriate articles.	The cost factor of personnel is reduced. Greeting, information and advice as well as cashiering are largely automated. Service robots that greet and advise customers in the branch are not catching on. Navigation with the mobile phone and VR or AR glasses as well as customer information and check-out via RFID or QR code are standard. The ideal position in technology-driven customer communication is occupied by either pure online retailers or retailers who have switched from online to omnichannel sales. The core tasks of the staff in retail shops are to put away and sort the small stocks of goods as well as to decorate, and occasionally also to cash up manually.
Cash-desk-less checkout is a reality as NFC-tagged goods are assigned to the customer and invoiced online as they leave the shop.	
The permanent digital interaction with the customer ensures a very good database. Various AI systems continuously optimise the collection, price and presentation on all channels for the individual customer. To a certain extent, products are individualised and thus provided as unique items.	The defensive use of technology as a cost containment tool in business means that supply chain systems are not seamlessly aligned. Cooperative players have a harder time here than vertically integrated business models. Individual optimisation and customisation of products in the shop struggles to take place because of the sparse communication with the customer.
All channels and logistics are networked in real time. Goods bought in the shop or ordered online are delivered dynamically and flexibly to the home address, to the mobile phone location or to or directly into the buyer's car.	Delivery flexibility is limited. Many customers take the purchased goods directly with them. Delivery of store-bought goods is offered mainly by technically integrated online players. Dynamic delivery requires a complete integration of the supply chain into cross-company forms of cooperation, which often fails given the technology's usage characteristics.

About this study

Starting point

The fashion industry is in a state of flux. Customer centricity, digitalisation, space reduction, e-commerce and sustainability are just a few of the topics that are currently driving the industry. Fashion companies need to reposition themselves and rethink their strategies. In which direction will these trends continue to develop? What do consumers look for when buying clothes? Appropriate customer segmentation and a target group-specific customer experience based on this can offer retailers options for attracting new customers and retaining existing customers in the long term. The aim of the study is to provide an overview of the fashion market and its challenges, as well as to provide food for thought for the future.

Customer segmentation

Not all customers are the same. There is an almost unlimited number of different demands, expectations and needs. In order to counter these in a targeted manner, suitable customer segmentation is required. Traditionally, this can be carried out on the basis of socio-demographic characteristics such as gender, age or household size. However, far more comprehensive conclusions about the behaviour of customers and their needs can be drawn by enriching them with behaviour-specific insights, for example attitudes towards shopping, and by adding psychographic characteristics. To bring customer segmentation along psychographic characteristics into a scalable form, we have identified four archetypes. This approach offers retailers the opportunity to determine the needs and expectations of different customer groups in even greater detail and to design the customer experience accordingly.

Sample and methodology

The analysis is based on a Germany-wide representative survey of 500 people. They provided in-depth insights into shopping behaviour and preferences in fashion retail.

Target group	18- to 75-year-olds who regularly buy clothes
Survey method	Online survey, conducted by the EHI Retail Institute
Sample / quota	n = 500, representative of the German population, related to the quotas for age x gender (quota combination), town size, household size and household income
Questionnaire	Survey duration: approx. 20 minutes, scope approx. 50 questions
Timing	Survey period: 29 June - 3 July 2020

20 qualitative interviews were also conducted with management representatives of fashion companies (retailers and manufacturers). These took place in the summer months of 2020. The results have been incorporated into the study in the form of quotes and background information.

Notes on statements in this study

To ensure readability in the text, generalising statements are formulated in this study (for example, women, men, 18- to 29-year-olds). They always refer to the persons interviewed for the study.

All age, gender and income differences mentioned in the evaluation are significant. Within the study, the conventional significance level $\partial = 0.05$ was chosen.

The differences are therefore so large, with a probability of error of less than 5 per cent, that they are not random ($p < 0.05$).

Further publications on the contents of the study

Customer experience – what counts now!

The coronavirus pandemic changed much of what we knew about our everyday lives: laws, the way we consume, our needs and freedoms. The big challenge for companies now is to deal with these changes in a meaningful way. This means that – digitally as well as analogue – sensitivity is needed in the design of customer experiences, because customer loyalty is still significantly influenced by customer experience. This year's Customer Experience Excellence Study answers the question of what is important and how this year's Customer Champions have already managed to master the changes in this phase of upheaval.

kpmg.de/CXwasjetztzaehlt

Study series – Online shopping

Once a year, KPMG examines different aspects of e-commerce. The first part of the study focuses on general shopping behaviour – who buys what, when and how. The second part will take a closer look at the purchasing process – customer journey, shipping & returns. Through continuous observation, changes and trends over time can be highlighted. The next issue will be published in spring 2021. All previous issues and the opportunity to subscribe to the study are available at:

kpmg.de/online-shopping

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