The Future of Fashion E-commerce

Analysis of the Fashion Ecommerce Industry in the Wake of COVID-19: India and the World

The Strategy Boutique

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1. Introduction

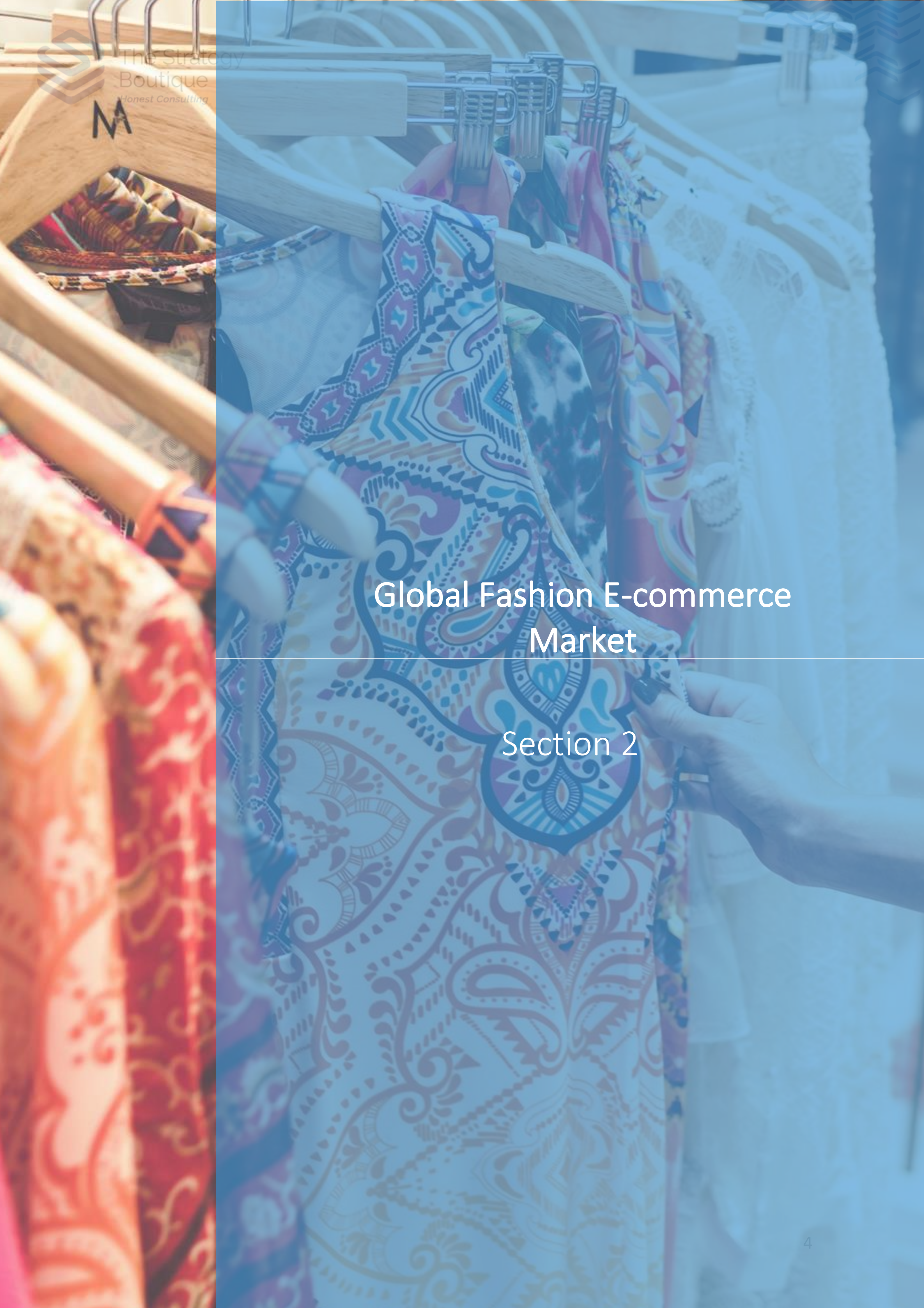
The rise of E-commerce has been well documented since its emergence in the mid 1990s, with increasing consumerisation of technology. While the COVID-19 pandemic has caused the economy to take a tailspin, it has prompted a digital revolution, with E-commerce sucking in the remaining lot of shoppers with deep-seated offline shopping habits, by restricting access to all brick-and mortar stores, even causing a few to shut down operations. The fashion industry is no exception to this, as companies adapt to virtual business models and set up E-stores to stay connected with their shoppers.

This report aims to highlight the recent performance of Fashion Ecommerce, as sales volumes witnessed a dip but at the same time the worldwide lockdown enabled consumers to embrace digital shopping. Overall, the global fashion e-commerce industry is expected to decline from $531.25 billion in 2019 to $485.62 billion in 2020 at a compound annual growth rate (CAGR) of -8.59% according to ReportLinker's Fashion Ecommerce Global Market Report 2020-30, due to the blow faced by the pandemic.

An in-depth analysis of Fashion E-commerce in India has been undertaken to review the recent trends and strategies in the industry and assess the scope of recovery which has been halted with a surge in new Covid-19 cases starting from March 2020.

India is expected to become one of the largest e-commerce markets in the world, driven by a host of factors such as growing investment and internet penetration. Government initiatives like 'Digital India' have boosted this sector further.

TSB conducted a survey to gauge the impact of COVID-19 on change in consumer behaviour and insights in India. This report serves as a combination of data collected through surveys, trends observed across the sector and TSB analyses of the same to highlight opportunities in this industry for stakeholders moving forward.



Global Fashion E-commerce Market

Section 2

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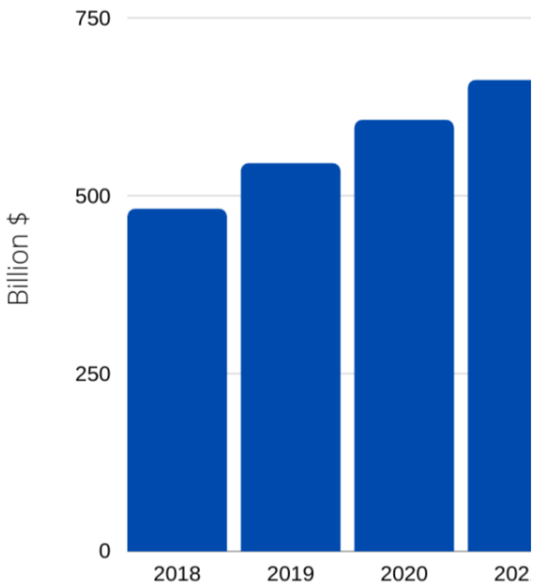
2. Global Fashion E-commerce Market: An Overview

The fashion industry is a competitive and crowded place, with players constantly adapting to new trends and innovations to stay at the top of the game. From fashion giants, who have made a mark in the industry, to small home-grown labels, having a strong online presence has become crucial to their survival. The convenience of digital shopping has shifted the shopping experience from a traditional one to a more complex one characterised by omni-channel sales.

2.1 Market Size and Growth

Performance of the global fashion ecommerce industry is measured in terms of growth in total revenue and user base-

Fashion industry worldwide total revenue



Source: Statista

Fashion is the largest B2C sector in the e-commerce market space with its global size estimated at US$ 531.25 billion in 2019.

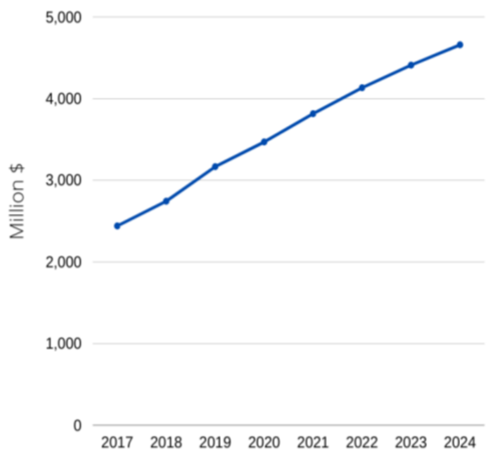
Worldwide experts predicted the fashion ecommerce market to grow at a compound annual rate of 10.6% from $481 billion in 2017 to more than $713 billion by 2022, as the industry witnessed an expanding global market. However, the projection made for 2020 of approximately $606 billion seems far-fetched as the industry faces the brunt of the crisis and the revised valuation for this year stands at a mere $485.62 billion.

Key growth drivers for the industry's performance have been observed-

- Expansion beyond the Western global market: It has been projected that by 2023 retail ecommerce sales in Asia Pacific (APAC) will amount to be greater than the rest of the world combined due to rise in urban population and burgeoning fashion awareness in countries like India
- Increasing internet access and smartphone penetration: Various government initiatives to make internet accessible across the nation and rapidly surging smartphones penetration has been anticipated to drive growth in the fashion ecommerce market during the forecasting period of 2020-2025
- Emerging middle-class with adequate disposable income: More than 85% of the new middle class growth has taken place in APAC
- Innovative technologies creating experiential ecommerce: Fashion players pioneer new business models and continue to target digital clothing, augmented reality, and blockchain to

help drive more customised or localised assortment.

Worldwide Revenue Growth of the Sector



Source: Statista (after adjusting for Covid-19 expected impact)

The user base is on an upward growth trajectory with millions of users being roped in every year. The projection for 2020 of approximately 3,468 million users has been made after adjusting for the impact of Covid-19. As seen in the figure above, a substantial increase of approximately 302 million users has been observed from 2019 to 2020, signalling an influx of consumers who were drawn to physical channels before the worldwide lockdown.

One of the major drivers of the industry is increasing internet access and mobile usage. According to Shopify.com, the majority of their new users are within the age bracket of 16 to 34 years, which is the Millennial and Generation Z category.

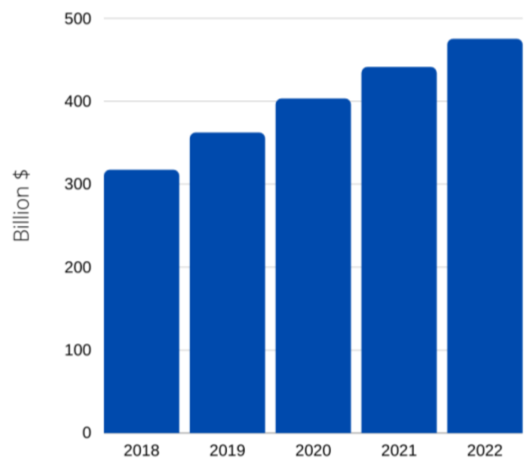
2.2 Market Segmentation

Fashion e-commerce includes Clothing, Footwear, and Bags & Accessories which are sold through an online channel.

2.2.1 Clothing

Demand for clothing has been steadily climbing and is projected to increase in the near future. While clothing's absolute numbers are increasing, worldwide revenue growth — represented by compound annual growth rate (CAGR) — is expected to decline from 15.3% in 2018 to 7.6% by 2022, which can be attributed to saturation in the western market.

Worldwide revenue by billions of USD for ecommerce clothing segment



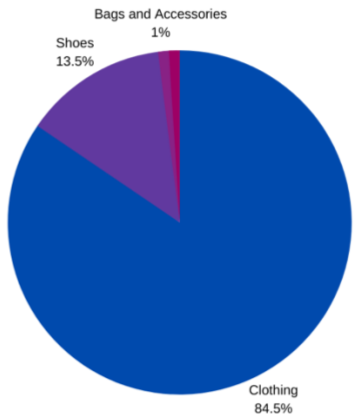
Source: Statista

This segment is witnessing the 'pull' dynamic wherein the consumer dictates the procurement, production and distribution, which has given rise to the on-demand production of clothes. This has created more opportunities for start-ups and smaller labels to provide tailor production characterised by a shorter turnaround time. This model saves the e-retailers from high levels of inventory and returns, which has been a major threat to this segment in the past. Recent innovations such as virtual try ons are slowly entering the space to help reduce reverse logistics problems.

While brands incorporating AR in their marketing strategy is not necessarily an outcome of the lockdown– Dior's capsule collection was launched using three Snapchat filters- the face lens, world lens and market tech lens in Spring 2019 – it is increasingly relevant at a time when virtual try-ons are gaining steam as an emerging norm.

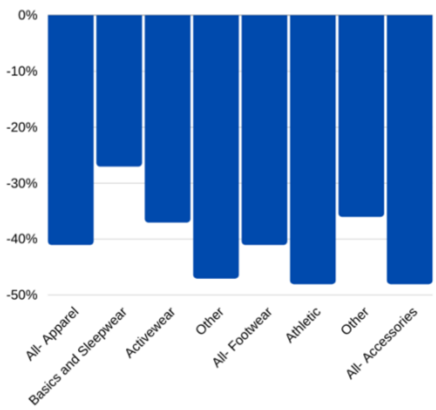
As per TSB's survey, clothing was the most ordered category of fashion products (i.e. 83.3%) during the lockdown.

Percentage of products ordered the most during the lockdown



Source: TSB Survey

Change in year-over-year sales growth, percentage-point change between Feb 15 and Mar 14 2020



*Changes between 4 weeks ending Feb 15 2020 and 4 weeks ending Mar 14 2020 ;Source: Amazon

Sales data from Amazon reflect changes in buying patterns with slower declines in 'indoor' categories focused on comfort and need-based purchase.

TSB has further categorised the clothing segment to highlight the most attractive market segments during the lockdown-

Occasion/ Formal wear:
Before the lockdown, in India, men's shirt category was the largest men's formal wear category (27%), followed by trousers (22%). Interestingly, the suits/coats/safari suits market was ~4 percent of the total menswear market. In contrast, women's formal wear grew at a higher pace which could be attributed to the increasing number of women in the workplace. During the lockdown, casualization of executive wardrobes is on the rise in accordance with the shift to the work from home culture which is why this segment of clothing has not been as attractive as compared to its counterparts.

Outerwear:
This segment in clothing is characterised by functionality and fashion -market for coats and jackets has been Demand for outerwear has come to a grinding halt too with lesser incentive to spend on clothing designed for outdoors.

Active wear:
Market for active wear has stayed afloat even with the cancelation of sporting events and closure of gyms. Major driver for active wear sell outs globally has been an uproar in home workouts- the US experienced a 40% increase in majority SKU sell outs, while the UK was up by 97% YoY during the period of lockdown. Leggings accounted for almost 50% of all bottom sell outs markets with customers favouring plain styles over printed. Patterns that saw success included colour-blocking, florals and tie-dye, which are considered fashion statements have continued to sell despite work outs becoming an a-social activity. Online initiatives by key players in the market have been contributing to this rise in demand such as Nike Training Club (NTC) or Adidas #HOMETEAM community. Interestingly, technical pieces in active wear are still selling despite limited exposure to the outdoors, hence overall all aspects of this market has been immune to the adverse impact of the virus.

Sleepwear and Lounge wear: Indoor fashion categories have witnessed a favourable response but they are highly fragmented and have lower margins. Introduction of transitional sleepwear (one that doubles as loungewear and nightwear) products has been popular among ecommerce consumers. Past two years have witnessed an increase in demand for bridal sleepwear which has propelled growth in the nightwear market.

Swimwear and Resort wear:
Prior to the lockdown, factors such as growth in demand for luxury swimwear by women, increase in beach vacations, high penetration of ecommerce platforms and increase in disposable income of consumer has been propelling the growth of the swimwear market. As expected, this segment has seen a grinding halt with travel restrictions and safety measures.

Undergarments: Today, underwear makes up 4% of womenswear products currently retailing online across the US and UK markets combined. Consumer interest in shapewear piqued last year when Kim Kardashian West disrupted the market with her Skim's collection. An estimated 75% of women are wearing the wrong bra size and with the rise of digitally native entrants to the market, brands are placing an invested interest in online fitting services

Apart from the trends highlighted above, new categories of apparel such as anti-bacterial and anti-fungal clothing have gained importance in wake of the outbreak.

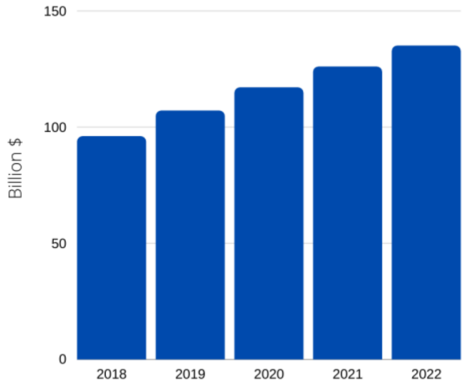
2.2.2 Footwear

In absolute terms, worldwide revenue in the shoes segment is expected to increase from $96 billion in 2018 to $135 billion in 2022, however the rate of growth observes a year-on-year fall. In India, for the majority of the players in this segment, online sales have remained low as a proportion of total sales, with proceeds from the online channel generating lower than 10 percent of sales. However, ecommerce sales are expected to grow with closure of physical stores but lesser incentive to spend on footwear is a major factor to consider.

According to TSB's survey, the second most ordered fashion products after clothing during the lockdown was shoe wear (i.e. 13%) and two-thirds of these buyers were men, signalling a popular trend among.

The increase in number of sports and fitness activities during lockdown- such as aerobics, gym and yoga- as well as the increase in the number of women participating in these activities, is propelling the growth of women trainers among female shoppers.

Worldwide revenue by billions of USD of ecommerce shoes segment



Source: Statista

2.2.3 Bags and Accessories

For the past few years, the healthiest sector in the global fashion ecommerce market has been the accessories and bags sector, which has grown by a double-digit percentage of 15.6% in 2018 and is projected to grow by 8.7% by 2022. The foremost reason for this surge is that more consumers readily purchase bags and accessories online and are less likely to return them since customers find comfort in the fact that sizing/fit issues would not arise when purchasing products from this category. It is predicted that 22% of total market revenue in this segment will be generated through online sales by 2023 which signifies favourable opportunities to enter the online space for this segment.

According to TSB's survey, majority of the respondents who ordered products from this category during the lockdown fall in the 19-25 years and 25-40 years age bracket.
This is in line with the trend witnessed last year, wherein a share of 37.0% of users was 25-34 years old in 2019. The age demographic of consumers in this particular segment has remained unchanged during the lockdown, but volume of sales within the age brackets have reduced from pre-covid levels.

TSB has further divided this segment into the following categories to highlight the attractive categories in this space during the lockdown-

Fashion jewellery:
During the lockdown, fashion jewellery brands claim that there has been a spike in sale of earrings mostly because for online video calls and conferences, one largely only makes an effort from the waist up, which is why demand for such adornments has still been popular.

Watches:
According to data, market for watches is expected to grow at an average of 8 per cent year-on-year until 2023. Demand for luxury watches, interestingly, has remained strong during the lockdown. Sales for Watches of Switzerland Group were up 45.8% during the six weeks of lock down compared to the same period in 2019. In addition, market for second-hand luxury watches also seems to be booming during the lockdown, this trend might be observed due to budget tightening and change in consumer sentiment. The pre-owned market was not performing as well before the lockdown but a push has been witnessed with closure of luxury stores and increasing internet shoppers.

Eye wear:
The most popular segment during the lockdown, unsurprisingly, has been the eyewear segment wherein people are not discounting their spend and are increasingly demanding protective eyewear that can be worn while working on a computer, unlike other industries.
As for post-lockdown, Flipkart sellers have witnessed more than a 100% growth for protective eyewear. Amazon Fashion claims that the share of anti-glare computer glasses within eyewear has increased fourfold compared to pre-lockdown levels.

Hair accessories:
Hair accessories like elastics and ties are a small luxury and have stayed in trend because of ease of availability online during the lockdown. Bandanas is another trend that has become increasingly popular even among men

during the lockdown as a quintessential summer accessory.

Luggage:
As expected, demand for luggage has been largely unimpressive because the market is directly dependent on the travel and tourism industry, which has been hit hard with the worldwide lockdown and travel restrictions.

Handbags and cross body bags:
Rapid growth of the corporate and organized sectors has been fuelling the demand for handbags- especially tote bags, owing to their durability and functionality- among working class women in countries including China, India, South Korea, and Indonesia. Conscious shoppers have shifted their preference from plastic bags towards tote bags for shopping and utility purposes, which is expected to fuel the growth of the product in the upcoming years.

Experts believe that functional lifestyle styles like cross body bags and canvas totes will gain importance in the category of bags during the lockdown among masses. As for designer handbags, demand has been increasing with sales up by almost 85% year on year at UK based fashion retailer Net-A-Porter.

Others:
Other popular accessories include belts, wallets, ties, hair accessories, gloves, among others. Accessories like face masks have seen a dynamic shift due to the outbreak, the market has witnessed a traction in demand especially in the healthcare sector.

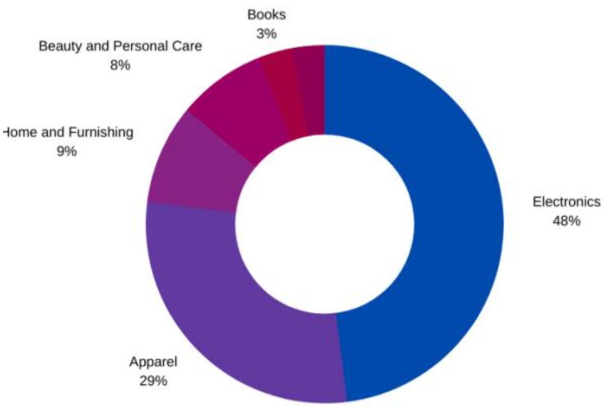
Market Landscaping- Indian Fashion E-commerce

Section 3

3. Market Landscaping- Indian Fashion E-commerce Market

India is the fastest growing e-commerce market and is expected to outperform the US to secure the second position in terms of size by 2034. With growing internet users and reduced digital barriers, the Indian e-commerce market guaranteed a promising future. However, the novel coronavirus is expected to have impacted the e-commerce sector in addition to F&B, hospitality, tourism and aviation sectors. Even though panic buying of essential products has led to an inflow of online shopping, the impact on other segments including fashion and apparel have not been as favourable. As of 2019, market share of Apparel was the second highest (i.e. 29%) after Electronics (i.e. 48%). As e-retailers aim to mitigate risks and consumers spend more on low value transactions, the scope of recovery for fashion e-commerce in India is assessed in the following sections.

Shares of various segments in E-commerce retail by value (2019)



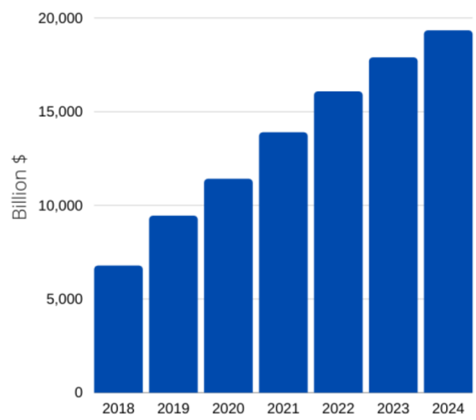
Source: IBEF

3.1 Performance of Indian Fashion E-commerce

The Indian ecommerce market is the second largest in the world, coming in second after the USA. Online shopping has gradually trickled down to the non-urban regions of India and the competitive landscape of the market is changing with a host of new entrants entering the space.

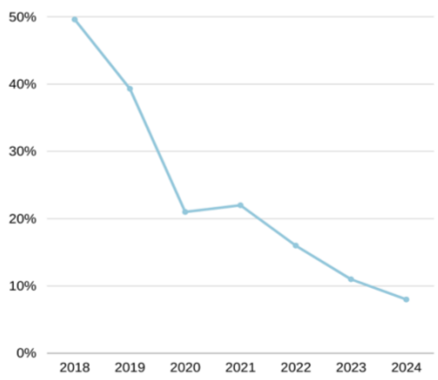
With corporatisation of the fashion segment and increasing internet users, total Revenue from fashion has been increasing year-on-year. However, the revenue growth has declined from a huge double digit of 39.3% in 2019 to 20.9% in 2020, majorly attributed to the halt in sales due to the forced shutdown.

Total Revenue of Indian Fashion E-commerce Market



Source: Statista

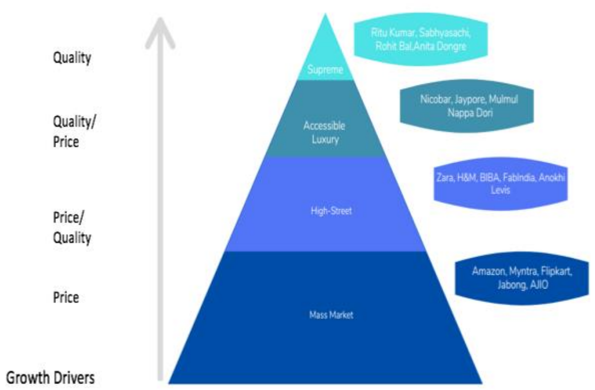
Revenue Growth for Indian Fashion E-commerce Market



Source: Statista (after adjusting for Covid-19 expected impact)

3.2 Key Players in the Indian Fashion E-commerce Market

TSB has segregated key players in the market into 4 Tiers constituting a Fashion Pyramid which corresponds to Maslow´s pyramid in many senses as luxury fashion brands generally cover the self-fulfilment "desire" and mass-market brands cover basic needs.

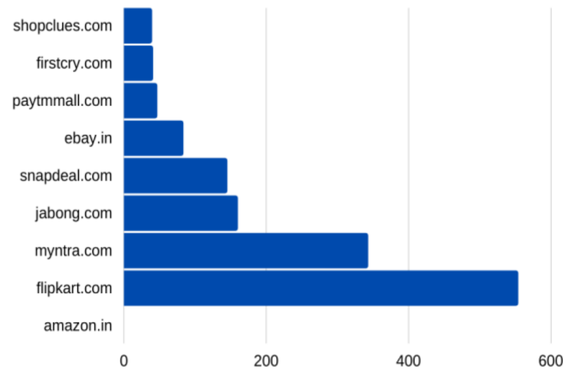


Tier 1 comprises of large fashion e-retail platforms housing an array of brands. Amazon's success is evident in India too, as in the USA and other developed countries, taking the lead, but local players like Flipkart which was acquired by Walmart in 2018, still have managed to become solid competitors in this promising market.

Tier 1

- Amazon
- Myntra
- FlipKart
- Nykaa
- Jabong

Leading fashion online stores in India 2017 by net e-commerce sales (in millions USD)



Source- Statista

Tier 2 includes high-street fashion brands that produce mass products comprising of casual, everyday clothing which are designed by teams working together on seasonal and capsule collections. Their price range is higher when compared to lower segment brands that are stocked with platforms in Tier 1 category which is why they come in second in terms of volume of ecommerce sales. As we move up the pyramid, volume of sales witness a drop for the consumers that value pricing of the product more than the quality.

Tier 2

- Zara
- H&M
- Levis
- Fabindia

Tier 3 category consists of affordable luxury wear designers in India. The size of the affordable luxury market in India was ₹1,400 crore in 2018, with an impressive growth rate of 40 per cent and a number of local players such as Jaypore, Da Milano, Cord, and Nicobar.

Tier 3

- Raw Mango
- Jaypore
- Nicobar
- Nappa Dori

Tier 4 group consists of luxury designer labels in India mostly curating heavy custom made ethnic ensembles. Designer houses belonging to the wedding industry, which is said to be in the $1 billion luxury fashion segment, is the most lucrative vertical of the fashion retail business. This group has witnessed a major fall in sales volumes due to closure of flagship stores. However, shoppers are said to be 'revenge spending' with relaxation of lockdown restrictions and even though the road to recovery is slow, there's scope for the luxury fashion industry to rebuild itself once there's more stability.

Tier 4

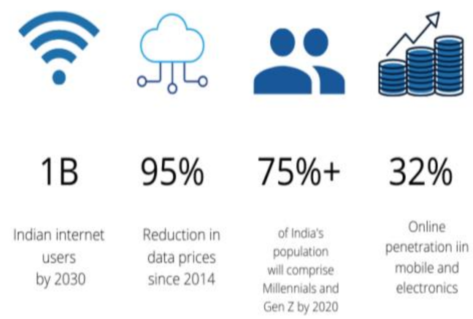
- Sabhyasachi
- Manish Malhotra
- Anita Dongre
- Anamika Khanna

3.3 Changing Demographics of Online Shoppers

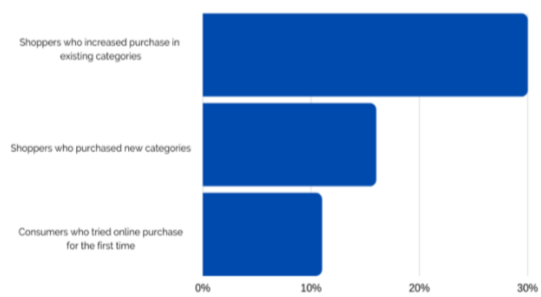
Increasing penetration of internet and its growing popularity among the consumers is the basis for online business development in India.

A report by Bain & Company and Flipkart expects the online retail market in India to boom in the near future, driven by expanding online penetration into tier-2 towns and rural areas. Boston Consulting Group estimates that India will have 850 million online users by 2025. Bain and Flipkart's latest report indicates that this figure will reach 1 billion by 2030.

The major push came from the advent of Reliance Jio in 2016 which revolutionalised the mobile data landscape in India, making internet connectivity cheap and accessible, and boosting its spread into rural areas.



Spurred by cheap and accessible mobile data, coupled with rise in online expenditure by 'Digital Natives' and supply-side developments like voice and visual search and vernacular based user interface, India's e-retail is scaling up in line with global benchmarks.

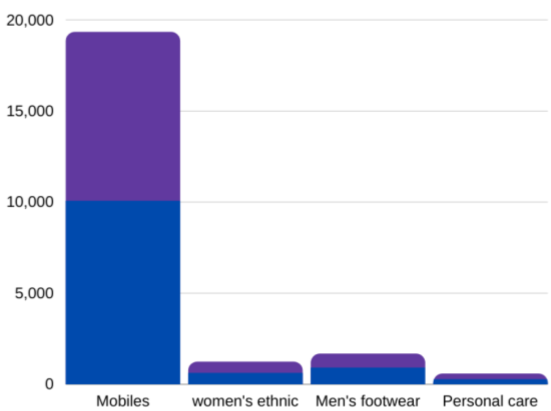


Source: Statista

According to an online survey conducted between April and May 2020 for online shoppers in India, around 11 percent of those surveyed were first time trialists, shopping online for the first time. Closure of physical stores is diverting shoppers to online channels as predicted. Another interesting result of the survey was that about 30 percent of the online shoppers, increased purchases in existing categories indicating a higher share of the wallet.

In terms of Age Profile, Millennials have long been positioned as drivers of growth in India's consumer market, and they are understandably so expected to drive the transition to online. According to a report by Morgan Stanley, India has 400 million millennials – defined as those born after 1982 – making up a third of the population and 46 percent of the country's workforce. Millennials and Gen Z category are likely to be more tech savvy with a larger share of digital natives to engage in e-retail and as data suggests, have been the most active on E-commerce portals. However, the lockdown has prompted a surprising number of older people to shop online as well, but the age group of 15-34 years continue to remain major consumers of the sector.

Category wise ASP (in INR)



Besides age, geolocation is another demographic to play a role in India's e-retail landscape. A report by Bain and Flipkart reveals that small town India is turbo-charging with three of every five online orders in India being placed in a small town. According to data, 2019 witnessed a larger share of sales volume from tier-2 and small towns as compared to 2016 with contracting share of metropolitan and tier-1cities.

As shown in the figure above, these shoppers buy similar categories of fashion products as those from metro and tier 1 cities. For most categories like women's ethnic wear and men's footwear, the average selling price (ASP) in tier-2 and smaller towns is only marginally lower than in tier-1 or metro cities, suggesting growing popularity of these products and willingness to spend among people inhabiting these areas. For personal care category, ASP is surprisingly higher by 7% in small town India, suggesting a headroom to growth for self-care products in these regions.

Even though in absolute numbers metro cities like Bengaluru, Mumbai and Delhi have accounted for a larger proportion of online sales, with increasing internet penetration and lack of physical stores, a changing demographic in consumer profile is witnessed with a large number of shoppers belonging to tier II and tier III cities.
According to the sales report of a home-grown brand in Delhi, a majority of its orders during the months of the lockdown were registered in tier-2 cities like Nagpur (Maharashtra), Bijnor (UP), Ludhiana (Punjab), Kanpur (UP) as opposed to its client base of Delhi and Mumbai prior to the lockdown.

Considering this, brands have started adopting marketing strategies in smaller towns by revamping their sales and online model to align with regional culture and vernacular languages.

3.4 TSB Survey

TSB's approach to assess the impact on this industry included a primary survey conducted in Delhi during the lockdown which started on 24th March 2020. The underlying motivation was to develop an understanding regarding the outlook for this industry during the period of the lockdown. It was undertaken with the objective of assessing the major changes and developments in market dynamics and deliver a superior understanding to support all stakeholders regarding the direction where the market is leading.

TSB aims to compare consumer preferences before the pandemic and during the period of the nationwide lockdown. Since the economy is slowly experiencing unlocking, this section aims to shed light on the state of the industry post the lockdown as well.

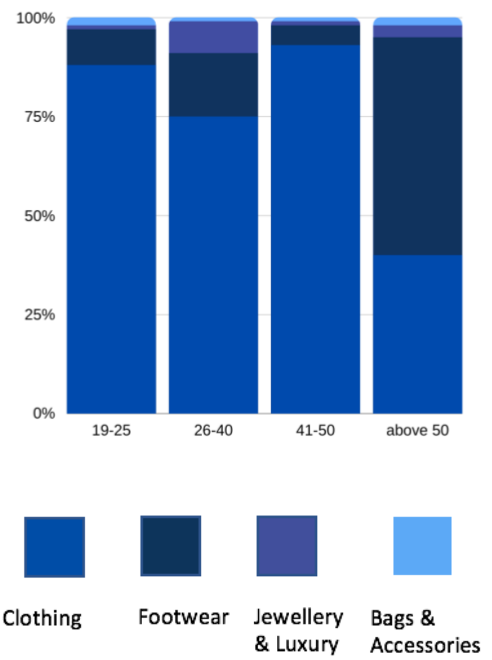
As for the Survey Design, an online form was floated after a pre-testing survey segmented for different research questions and the response format was either multi-dichotomous or multiple responses. Biases such as social desirability bias -in this case, probability of underreporting of socially undesirable behaviours- are bound to influence the responses which have been taken into account while analysing the results and have been minimised by making the survey confidential.

Survey Results

Age	Products Ordered	Online Experience Enhanced	Prefer Online Channel	Prefer Online Payment
19-25	Clothing 88% Shoes 9% Jewellery & Luxury 1% Bags & Accessories 2%	58%	67%	70%
26-40	Clothing 75% Shoes 16% Jewellery & Luxury 8% Bags & Accessories 1%	59%	75%	78%
41-50	Clothing 93% Shoes 5% Jewellery & Luxury 1% Bags & Accessories 1%	50%	90%	66%
Above 50	Clothing 40% Shoes 55% Jewellery & Luxury 3% Bags & Accessories 2%	33%	78%	97%

Source: TSB Survey

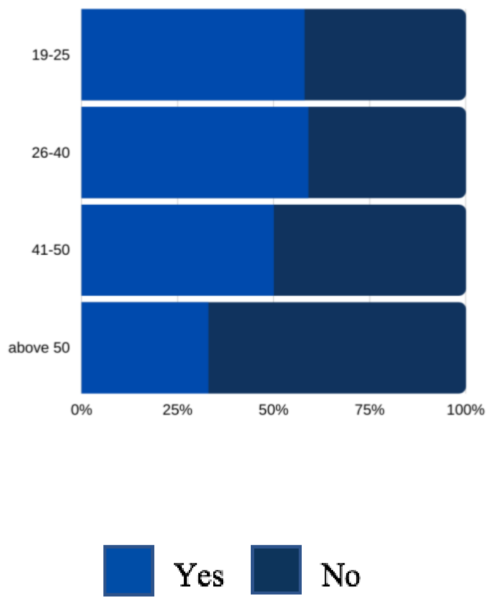
Share of each category of products ordered during the lockdown



Source: TSB Survey

Clothing remained the most popular category among the younger generation even during the lockdown. Interestingly, in the above 50 years' category, TSB observed a higher preference for footwear, with clothing coming in second. The 26-40 group allocated a higher share of their average expenditure on jewellery and luxury when compared to other categories- this group of working adults is characterised by higher disposable income. Factoring in age wise spending patterns is important for brands to undertake targeted marketing and understand the market potentialities of consumers belonging to different age brackets.

Percentage of respondents who felt the online experience has been enhanced during the lockdown



Source: TSB Survey

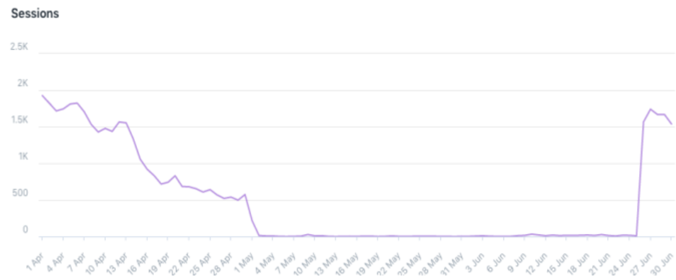
According to ET's survey in India, two-thirds of consumers agreed that brands are communicating just the right amount, while nearly one in five believed that brands are not communicating enough with their audience. TSB included the same question in its survey and catagorised the same response according to age brackets- it was found that the younger generation felt that the online experience has been enhanced with brands launching fresh and innovative initiatives to engage with their client base, however in the above 40 group, less than half the respondents noticed a change in the online shopping experience. This is important to analyse because it depicts how different age groups resonate with different brand marketing strategies and TSB's evidence suggests that brands need to develop a more targeted approach for consumers in the older age bracket. It has been more challenging for brands to trigger shoppers in this category in the past to purchase online, but since this group is shifting to online channels (78% of the shoppers in the above 50 category preferred online channels for shopping during lockdown) and have higher disposable income at hand, now is the best time for brands develop more effective strategies to target this section.

According to survey results, majority of the respondents (i.e. 75%) ordered mass fashion products from platform such as Amazon and Myntra- Myntra controlled 70% of the mass fashion market along with Flipkart before the crisis as well. A small fraction of group in the age bracket of above 50 years ordered from small boutiques and emerging brands which shows greater acceptance for unknown/budding designers among the older generation. Since they have a greater ability to spend than the younger generation, the older age bracket prefers tailor made alternatives to mass fashion products, and also because they prefer ethnic or fusion ensembles, which can be custom made by these brands.

Moreover, TSB analysed the online sales of a home-grown fashion label based out of Delhi. The trends observed during the course of the lockdown have been highlighted below-

Quarter (2020)	Online Store Sessions
1st (January-March)	9,511
2nd (April-June)	42,844
To date (July-September)	14,192

Online store sessions during the first quarter



Source: Shopify analytics

In the second quarter of 2020, the months that witnessed a complete lockdown, an exceptionally high volume of online store sessions was observed- up by 350% as compared to Quarter 1. The increase in sessions is directly related to increase in leisure time, which shot up the time spent on browsing for products online. However, despite the upsurge in viewership, the conversion rate remained below average levels due to home quarantine norms and need-based purchases.

The customer purchase journey became more complex to analyse during the period of lockdown as the spike in viewership did not correlate to spending intentions. The multiple action points during the purchase journey can be categorised into four stages: initial consideration, ongoing evaluation, final purchase and post-purchase experience. Tracking the second quarter of 2020 reveals that the purchase journey was marked by the first two stages alone, with an unimpressive conversion rate.

Online store sessions again dropped by approximately 59% in the months of July to September, once the economy approached a gradual unlocking, but online store conversion rate recorded a boost of a whopping 872% and total sales went up by 20%. As the initial health and safety concerns lessened during these months, consumers started embracing e-retail and browsing online translated into a more purpose-driven activity, resulting in purchases.

This trend tracks with what apparel retailers elsewhere in the world have experienced. While consumer engagement with apparel and fashion brands shot up during those months, the traffic did not translate to conversion. As consumers pulled back on discretionary spending, even retailers with higher online penetration, such as direct-to-consumer specialty-apparel players, struggled with weak sales. Retailers with a heavier concentration of in-store sales (as fast-fashion retailers and mid-tier department stores- faced greater pressure to drive their customer base online and rapidly scale e-commerce operations. Report from Signifyd Inc., a US based solutions provider for ecommerce stores, which is based on data from its 10,000 international clients and 3,000 apparel clients, supports this as well. According to the report, the apparel category was performing below its pre-COVID benchmark, down single and double digit percentages, as expected.

Another important aspect for e-retailers is the time spent by customers during each online session, which has been estimated to be less than 9 minutes by a recent report. One in two customers browse the image gallery and shoppers usually visit more than 20 product pages before making a purchase especially true for women's ethnic care category. To strengthen the impact on the viewer and achieve a greater lasting impression during the short attention span of the customer, it is important for brands to improve their website's user experience with good quality pictures, brief product descriptions and use attractive calls to action.

Evidence shows that mobile devices have become the most important shopping tool in India which has propelled the growth of ecommerce in the past decade. In 2019, it was estimated that one in every three Indian shopped online via a smartphone. TSB's analysis of a fashion e-store mirrors this trend with highest number of store sessions belonging to mobile users. Viewership via all three device types- mobiles, desktop and tablets- increased significantly during the peak months of the lockdown (i.e. April-June). Interestingly, store sessions via desktop increased in the third quarter possibly because people eased into their work schedules and resumed working on the desktop.

Device Type	2nd Quarter	Quarter to Date
Mobile	41,977 ↑350%	13,794 ↓59%
Desktop	242 ↑317%	262 ↑32%
Tablet	69 ↑245%	39 ↓36%

Survey Interpretation:

TSB expects an inclination on the part of consumers to resume their pre-crisis habits once conditions allow but brands have a strong opportunity to build their online presence and expand their client base across regions with aggressive marketing strategies like online promotions for new customer acquisition, Facebook advertisements for re-targeting, and curating social media campaigns. People from all age groups have become more accepting of online shopping and have started to prefer contactless modes of payment. A small designer has equal opportunities as compared to a big fashion retailer in terms of online sales to capture consumers till the situation at hand gets better.

3.5 Road to Recovery

The major growth drivers in the industry are classified as follows-

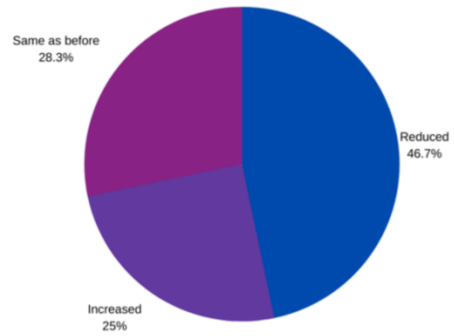
- Internet penetration and increase in mobile phone users- internet penetration rate in the country stands at 50% as in 2020 and Indian internet is characterised as more rural and mobile-first with smartphone growth being massive over the past few years
- Expansion to tier II, tier III and rural areas
- Improved infrastructure and technology
- Growth of private labels and improved virtual experience
- Government initiatives and policy- government initiatives like 'Digital India', 'Skill India', and 'Jan Dhan Yojana' that embrace digital platforms and aim to develop new payment solutions are driving ecommerce in India

The last few months have seen a drastic dip in sales of Textile & Apparel with the cash flow being disrupted by the forced lockdown. Companies struggle to pay salaries, rentals, utility bills, taxes and with sales reaching NIL figures, several initiatives on part of government and the private sector will be needed to recover the performance of the industry.

Shift to Online Culture:

According to TSB's survey, approximately 47% of the consumers revealed that their expenditure on online shopping has reduced from before the lockdown, mainly due to safety concern, lesser incentive to buy and lack of personal touch. Similarly, a survey conducted in the USA in March 2020 revealed that 63 percent of respondents expected to spend less on apparel than they usually did. On the other hand, more than half of the respondents either ordered the same amount or actually increased their spending due to more free time, attractive discounts and schemes being offered by companies, and also due to lack of alternatives.

Percentage of people who increased/decreased their online shopping expenditure during the lockdown



Source: TSB Survey

This is crucial in understanding consumer insights as companies should target the latter group by increasing online promotions and offering more discounts, while trying to rope in the former group with new ways of engaging with them and adding relevant products to their product line.

One of the leading luxury designers in India, Payal Khandwala started an initiative during the lockdown to eliminate the problem of lack of personal touch- they sent the garment across to customers to keep for 24 hours, post which they could opt for a refund or have it exchanged.

Brands now have to transform their business models to address the grievances of its customer base. More than half of the respondents felt that the online shopping experience has been enhanced during the lockdown with brands introducing new ways to engage with their audience.

Change in Consumption Pattern within Fashion Products:

51% of the respondents have changed their shopping preferences to include more essential fashion products, in terms of clothing this includes, face masks, at-home clothing like loungewear and athleisure, etc. which have seen a considerable rise in demand. Signature masks are being produced by fashion labels like Louis Vuitton and Fendi, an essential product that has now become a global accessory. In India too, top league designers like Anita Dongre, Shivan and Narresh, and Payal Singhal are experimenting with crafting their own signature styles. Luxury designers have discovered a potential in adding masks to their product line and launching capsule collections of ready-to-wear clothing because the demand for occasion wear is not going to pick up any time soon. The $50 Billion Wedding market in India is severely impacted with domestic designers and small boutiques struggling to keep their heads above water.

The major platforms that millennials and Gen Z's are shopping from include large e-commerce players like Amazon, Myntra, etc. and online portals of fast fashion brands like Zara and H&M because it meets the need for ready-to-wear at home clothing while also fulfilling the desire for impulsive buying at low cost. These are the categories that have seen a boost in the volume of sales despite the lockdown.

Government and Non-Government Initiatives:

Indian fashion e-commerce industry's road to recovery has been accelerated with upcoming government as well as private initiatives to promote local fashion businesses and also secure the livelihood of workers in these firms. In addition to reduction in bank interest rate and extension of soft loans, many designers in their personal capacity have come forward in doing their bit - by way of providing masks, offering cash advances to their employees, supporting teams with food/cereals.

Cancelling of the Fashion Design Council of India (FDCI) fashion week, one of the biggest events for designers in India, led to loss of a season for the participating designers. In order to restrict the adverse impact on small businesses and young designers, FDCI set up a **COVID-19 Support Fund (CSF by FDCI)** to provide financial assistance. The FDCI also planned an online alternative of the "Designer Stockroom" for 100+ designers to direct customers to their website.

Similarly, Lifestyle Asia launched their 'LSA for Local' campaign to promote home-grown fashion brands like Jodi, Torani and more, to strengthen the online presence and direct their follower base to these labels.

Conclusion

Section 4

4. Conclusion

Studying the trends across the industry during the period of the worldwide lockdown, it is interesting to see that consumer behaviour patterns are similar around the world.
With Indian designers and boutiques shifting focus to set up e-commerce stores and launch new marketing initiatives for an enhanced online experience, the Indian fashion e-commerce industry's future looks promising, however the pace of recovery is gradual. The country-wide shutdown has encouraged a faster adoption of the digital transformation with customers slowly embracing the idea of shopping online. A new wave of technological innovation is being witnessed in the industry with virtual exhibitions and digital try-ons gaining focus and consumers shifting to contactless modes of payment in light of safety measures. Few shoppers are bound to hop back to physical stores as the situation gets better, but the lockdown has helped create an online culture which is here to stay.

However, the hurdles of e-commerce still remain, and have been reinforced at the time of the pandemic with more shoppers ordering online. Reverse logistics problems - customer dissatisfaction with product, size issues, incorrect delivery, and more- continue to persist and pose substantial threats as the industry gradually treads down the road to recovery. Having said this, it has been observed that the apparel industry has repeatedly proven its ability to reinvent itself and adapt to consumers' preferences and habits. TSB believes in the Indian fashion ecommerce industry's long-term potential if brands continue to build on creative initiatives and new capacities. That said, sector averages cannot predict the destiny of an individual company. A company's ability to develop and implement targeted strategies in a bold and timely manner, will determine whether it will emerge stronger from the crisis.

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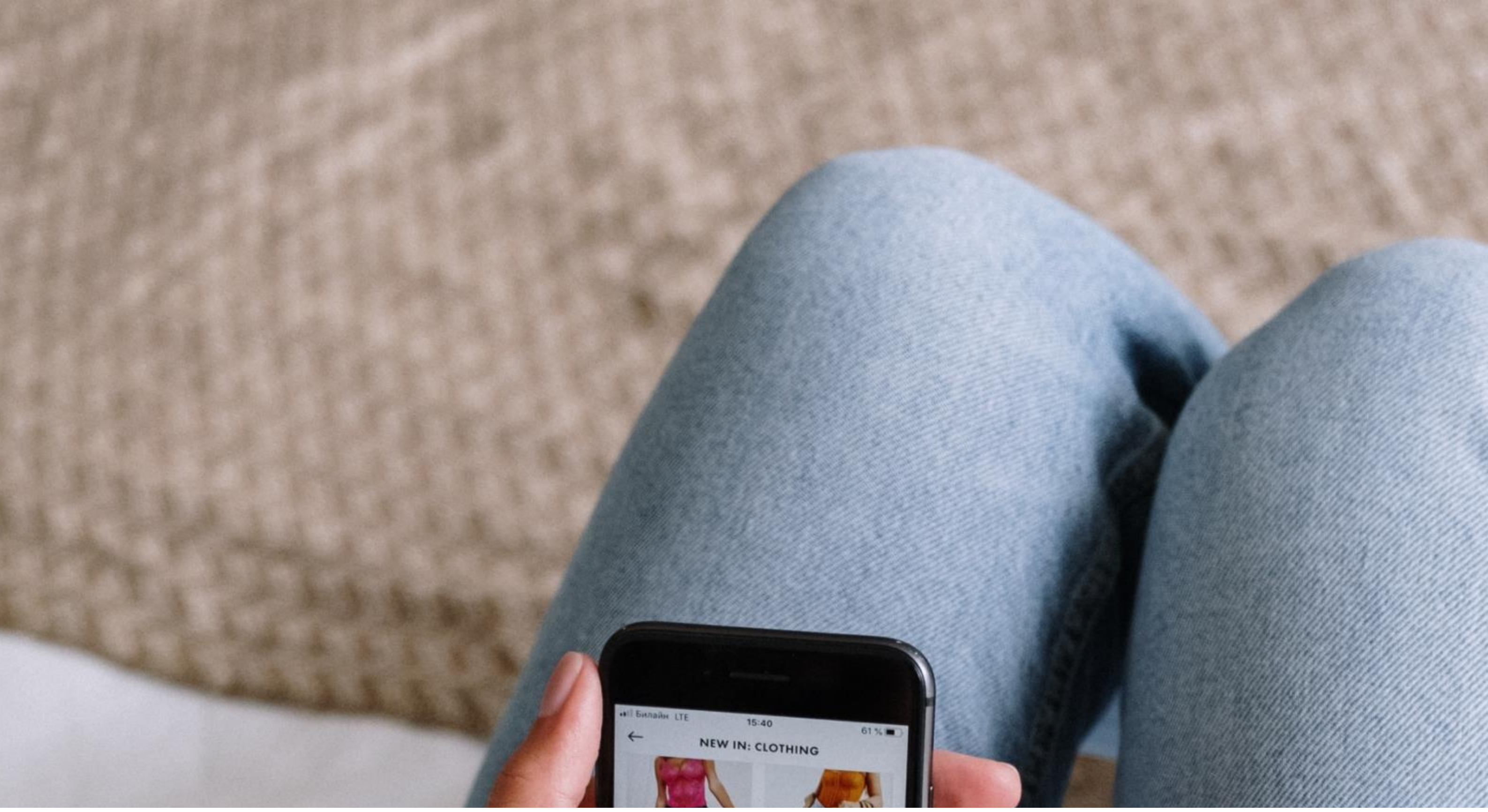

The Strategy Boutique
Honest Consulting

The Strategy Boutique
DPT 004 Plot no. 79 & 80, Pocket F, Phase 1,
Okhla Industrial Area, New Delhi – 110020, India (+91) 98
1000 1413 www.thestrategyboutique.com
consult@thestrategyboutique.com