

RETAILX SECTOR ANALYST REPORT

FAST FASHION



INTRODUCTION

Fast Fashion has cemented its status as the driving force within the fashion industry. The sector emerged in the late 1990s when runway creations were quickly copied and introduced to consumers at a much cheaper price – a development enabled by cheaper Far Eastern supply chains. Coupled with increased internet penetration from the early 2000s, the legacy ‘two-season-fashion’ model (AW/SS – Autumn/Winter, Spring/Summer) turned into ‘evergreen fashion on steroids’.

So entrenched has the Fast Fashion approach become that even luxury and higher-end fashion brands have developed monthly product “drops” (high-profile limited releases of products) as a marketing hook, rather than their more sedate biannual seasons.

Fashion retailers increasingly include a limited range of Fast Fashion products within their overall mix fast items and seasonal continuity. This is a marketing necessity to entice customers to visit stores or websites, even if those products are sold at break-even or a loss. This is not to be confused with retailers that have made Fast Fashion a profitable business approach at scale.

SHARELINES

- 🐦 The advent of social media has dispersed and democratised celebrity
- 🐦 Consumer concerns about sustainability do not appear to have slowed the market’s growth
- 🐦 The Japanese automotive industry’s Just In Time (JIT) manufacturing method influenced Fast Fashion
- 🐦 Zara is a frontrunner in the Fast Fashion industry
- 🐦 From luxury to value brands, Fast Fashion has permeated the industry
- 🐦 Fast Fashion’s growth was aided by several market drivers, while its continued growth is challenged by a mix of inhibitors

TL;DR

The internet abbreviation ‘TL;DR’ means ‘Too Long; Didn’t Read’. In that spirit, here are some consideration points from this report:

- Fast Fashion’s growth has been due to market drivers, including Just In Time manufacturing process, globalisation, low-cost supply chains, rising Internet penetration, increasing household disposable income, historically low interest rates, and the near-shoring of supply chains
- Market inhibitors include concerns about sustainability and labour conditions, and supply chain exposure to political uncertainty on free trade and tariffs
- Benetton and Inditex adopted JIT around the same time but interpreted the processes differently. Benetton produced large volumes of a narrow set of SKUs in raw form and dyed them to meet customer demand. Inditex’s produced a limited volume of different lines to create a high throughput of different garments. Inditex’s interpretation – Fast Fashion – revolutionised the fashion industry
- Online shopping’s growth in the 2000s, low-cost manufacturing and near-shoring combined to make Fast Fashion mainstream
- Sustainability and labour concerns have not to date had a major impact on Fast Fashion retailers, nor overall customer demand. However, Fast Fashion retailers now sell ‘sustainable collections’ to cater to this growing consumer preference.

Welcome to the RetailX Sector Analyst Reports, where we combine RetailX’s four years of in-depth company performance research with analysis of the sector dynamics.

Our reports outline the strategic and commercial context in which the best retailers and brands perform in their market sectors.

Let us know of sectors you would like to see us cover: research@retailx.net



THOMAS ANDERSSON
thomas@retailx.net

Thomas is a retail sector analyst with more than a decade of experience starting and divesting a multichannel retail business. He is a grants evaluator for Vinnova, a Swedish R&D government agency.



MARTIN SHAW
martin@retailx.net

Martin devises the scope and methods of RetailX’s research.

CEO: Ian Jindal
Head of Research: Martin Shaw
Senior Analyst: Thomas Andersson
Editors: Chloe Rigby, Jonathan Wright
Commercial Director: Andy James
Design: Marzena Zychowicz
Address: RetailX, 123 Cannon Street
London, EC4N 5AU
© 2019 RetailX Limited

In this report, we analyse and compare 12 brands chosen from the InternetRetailing Europe Top500, plus Primark¹, in order to analyse the sector. Listed alphabetically, those brands are:

Asos, Boohoo.com, Forever 21, H&M, Missguided, Monki, New Look, Primark, River Island, Topshop/Topman, Very, Zalando and Zara.

We also analyse the companies that own and operate these facias. Listed alphabetically, those companies are:

Arcadia, Asos, Boohoo, Forever 21, H&M, Inditex, Missguided, New Look, Primark, River Island, Shop Direct and Zalando.

We profile these companies in section 4. ■

1. Primark is excluded from the Top500 because it does not sell online but is included here due to its significance in the Fast Fashion industry.

CONTENTS:

- 1: Overview 3
 - Timeline 3
- 2: Market context 4
 - Overview 4
 - The growth of Fast Fashion 5
 - Market reach 6
 - Promotion and ‘newness’ 7
 - Sourcing 8
 - Competition on cost 9
 - Margin and profit 10
- 3: Market drivers 11
 - Overview 11
 - Just In Time manufacturing 12
 - Household disposable income and interest rates 13
 - The rise of the Asian supply chain 14
 - Internet penetration 16
 - Near-shoring and Artificial Intelligence (AI) 18
 - Sustainability and political uncertainty (inhibitor) 19
- 4: Company profiles 20
 - Overview 20
 - Arcadia and Asos 21
 - Boohoo and Forever 21 22
 - H&M and Inditex 23
 - Missguided and New Look 24
 - Primark and River Island 25
 - Shop Direct and Zalando 26
- 5: Benchmarking 27
 - Benchmark: share of search 28

FIGURES:

- Timeline of Fast Fashion online presence and events 3
- Value of the apparel market in select leading countries in Europe, 2019 (£m) 5
- Leading Fast Fashion retailer revenue, 2002-2018 (£bn) 5
- Fast Fashion players in the UK 6
- The Fast Fashion matrix 7
- What percentage of your sourcing will come from near-shoring in 2018 and 2025? 8
- Gross margin and usd FX over six years 8
- Gross margin change 2017-2018 (percentage points) 9
- Cost benefit example: China vs Myanmar 9
- Mark-up examples: Topshop and Primark 10
- Operating profit and inventory as a share of revenue, 2002-2017 10
- Timeline of Fast Fashion drivers 11
- RFID benefits to sales, markdown and services levels 12
- Household disposable income, UK 1977-2016 (index 100=1977) 13
- BOE and ECB interest rates, 1979-2018 13
- Average monthly salary 2019, selected countries (£) 14
- USD FX, 1990-2019 (1USD = x, index 100 = 1990) 14
- USD FX, 2002-2018 (1USD = x, index 100 = 2002) 15
- Number of internet users, 1995-2018 (millions of users) 16
- The proportion of consumer textiles, clothing and footwear sold over internet 17
- Fast Fashion merchandise mix 18
- YOY comparison: average days to sell out by brand 27
- YOY comparison: average days to sell out by country 27
- The CAGR of total Google UK searches for a brand term, 2015-2018 28

All of the report figures are available as PNG downloads for use in presentations – see end of report for licence and details