



# The right fit

Where to invest in European apparel



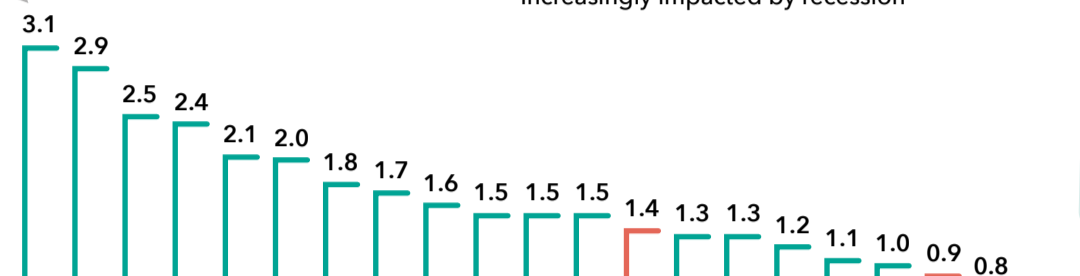
Investing in an apparel business is like clothes shopping itself...

You're looking for quality, a good fit, the right price, and something on-trend.

Like an experienced personal shopper, OC&C has done the legwork for you in our latest sector report. We've interviewed thousands of consumers, dug deep into industry trends, and studied the latest economic research to identify opportunities.

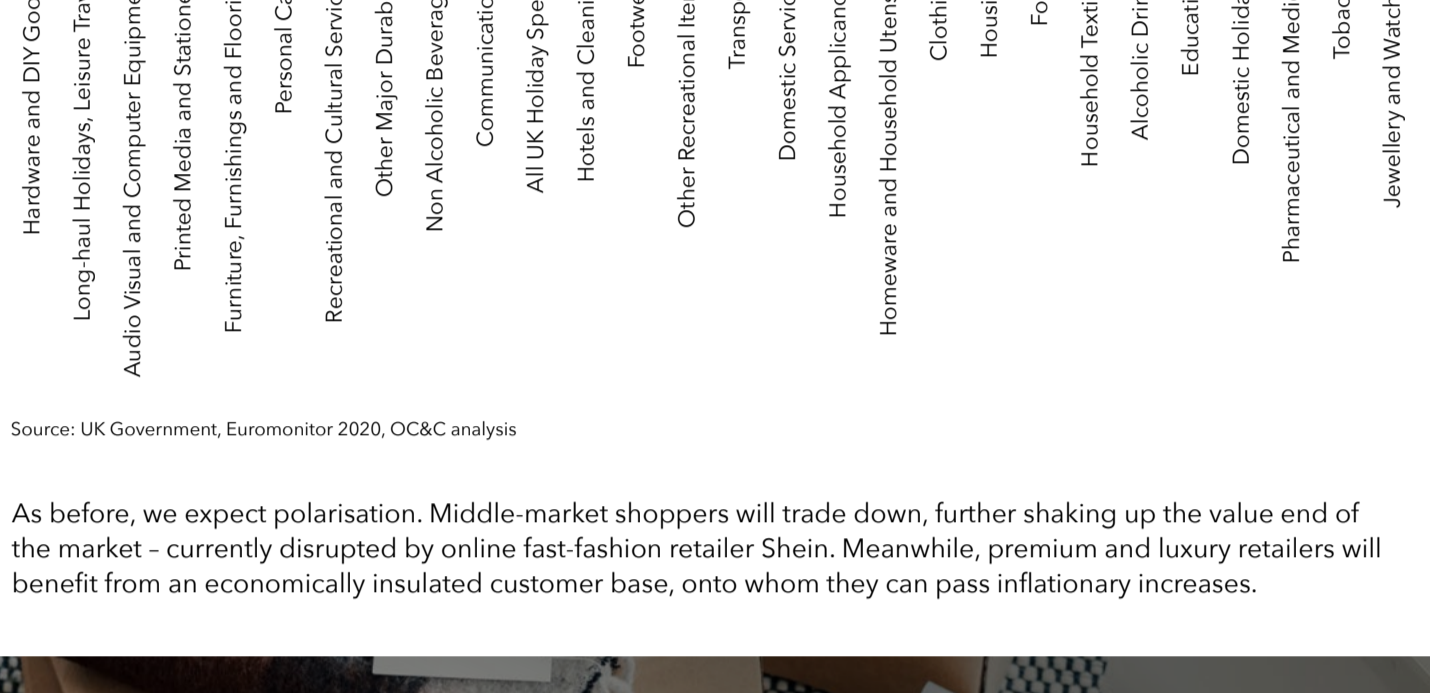
## The apparel market in 2022 and beyond

**RAGS TO RICHES - APPAREL'S RECESSIONARY RESILIENCE**  
The apparel market is primed for long-term structural growth between 2023-2026

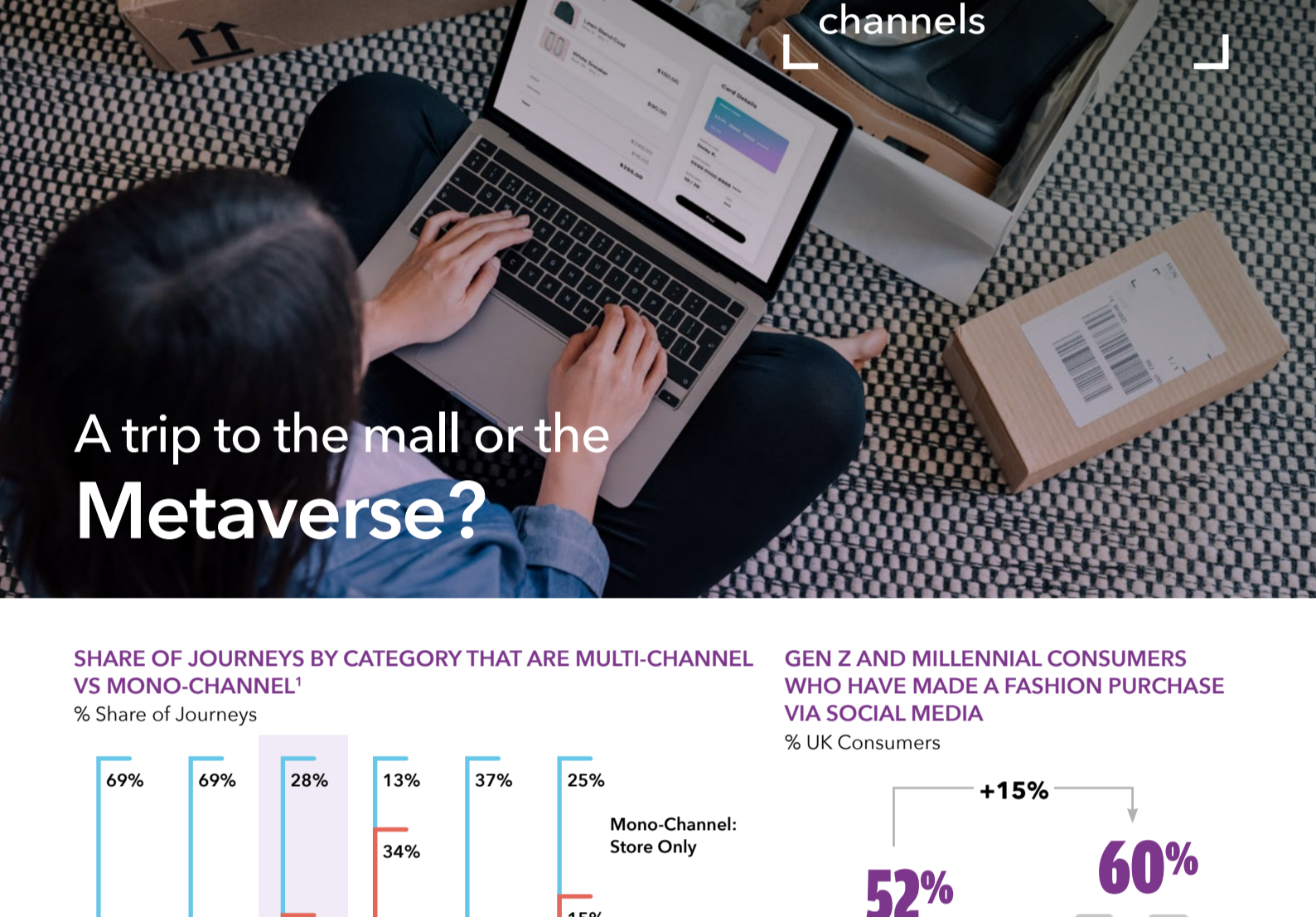


Record inflation, looming recession, squeezed household incomes... **is now really the time to invest in apparel?**

**APPAREL IS A CATEGORY WHERE CONSUMER SPENDING DEMONSTRATES REASONABLE RESILIENCE TO RECESSIONS - WITH A BETA VALUE OF c.0.9**  
Recession impact on Consumer Products and Service Spending



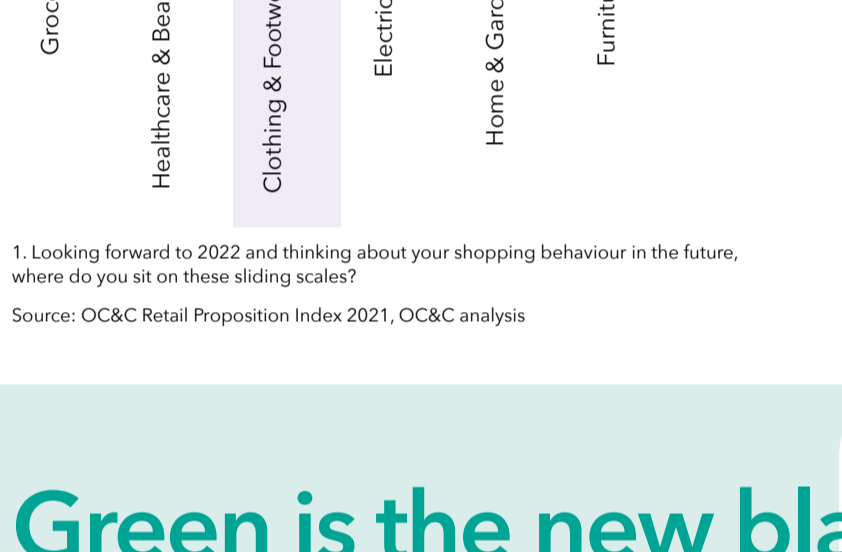
As before, we expect polarisation. Middle-market shoppers will trade down, further shaking up the value end of the market - currently disrupted by online fast-fashion retailer Shein. Meanwhile, premium and luxury retailers will benefit from an economically insulated customer base, onto whom they can pass inflationary increases.



60% of Gen Z and Millennials have purchased on social channels

## A trip to the mall or the Metaverse?

**SHARE OF JOURNEYS BY CATEGORY THAT ARE MULTI-CHANNEL VS MONO-CHANNEL<sup>1</sup>**  
% Share of Journeys



1. Looking forward to 2022 and thinking about your shopping behaviour in the future, where do you sit on these sliding scales?  
Source: OC&C Retail Proposition Index 2021, OC&C Analysis

**GEN Z AND MILLENNIAL CONSUMERS WHO HAVE MADE A FASHION PURCHASE VIA SOCIAL MEDIA**  
% UK Consumers



Contrary to retail lore, stores are important to all generations of clothes shoppers (including 12-24-year-olds), offering convenience, inspiration, and social experience.

However, apparel is nearing 40% eCommerce penetration, a point at which traditional store portfolio economics become challenged and need reshaping.

At the same time, social channels continue to take market share. Winners are active on TikTok and are preparing for the Metaverse - a nascent marketing outlet that is set to become a key transactional channel.

## Green is the new black

Governments, consumers, and reality TV take action

**GROWTH OF NEW FASHION MODELS**  
% Share of total



Source: OC&C Consumer Survey & Market Modelling

Resale and rental models are set to account for c.20% of the apparel market by 2029

Meeting the UN Paris agreement targets means the fashion industry needs to reduce emissions by 45%, the equivalent of a c.50% reduction in virgin items purchased per person...

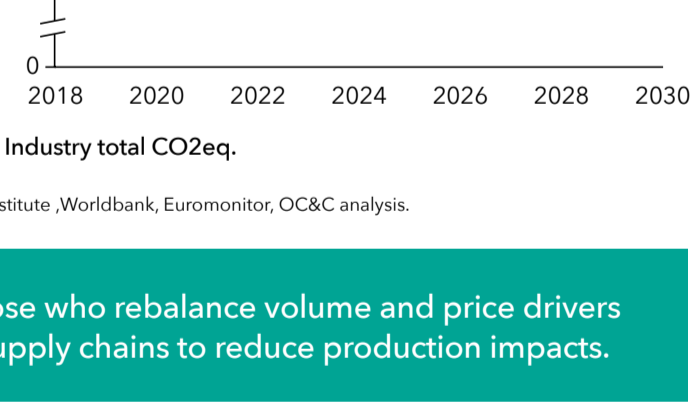
...or a c.55% reduction in emissions per new item produced

**REDUCTION IN ITEMS PER PERSON<sup>2</sup> FROM 2022 INDEXED (2019=100)**

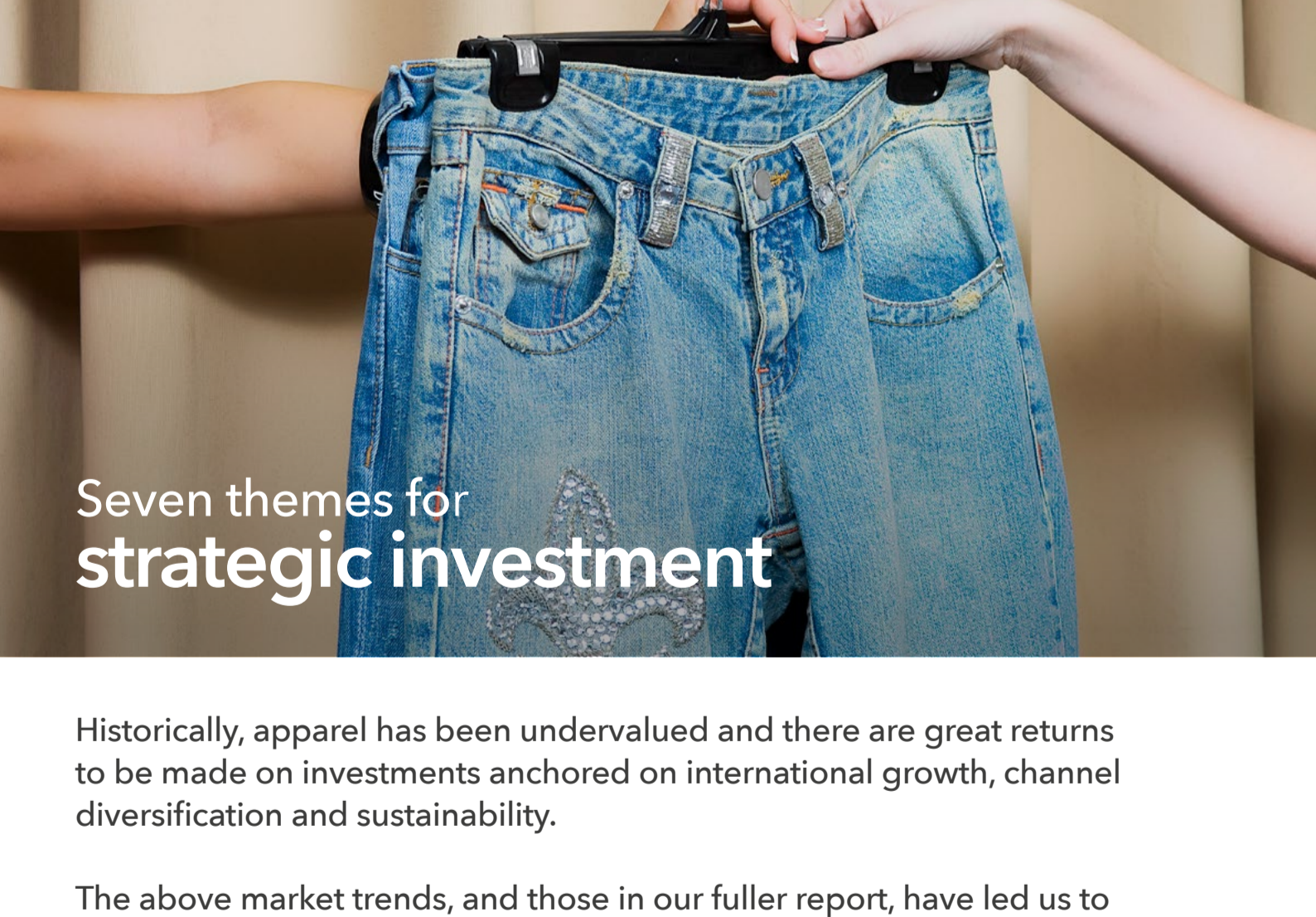


Source: Ellen McArthur Foundation, World Resources Institute and Apparel Impact Institute, Worldbank, Euromonitor, OC&C Analysis.

**REDUCTION IN EMISSIONS PER ITEM<sup>3</sup> FROM 2022 INDEXED (2019=100)**



Winning fashion retailers and brands will be those who rebalance volume and price drivers in key segments, and/or invest to reconfigure supply chains to reduce production impacts.



## Seven themes for strategic investment

Historically, apparel has been undervalued and there are great returns to be made on investments anchored on international growth, channel diversification and sustainability.

The above market trends, and those in our fuller report, have led us to identify seven hot areas for investment. They are not mutually exclusive and can add even more value when combined.

- 1 Sustainability and circularity**  
Brands and platforms that are differentiated by the sustainability of their products, sourcing, or ownership models.
- 2 Digital and sustainable enablers**  
Third-party providers of technology to transform digital capabilities, fabric innovation or supply chains.
- 3 Scalable D2C digital-native brands**  
Digital native fashion and lifestyle brands that have scaled quickly and are looking for the next wave of growth.
- 4 Brands set to benefit from value disruption**  
Value retailers that can benefit from customers trading down.
- 5 Athleisure and outdoor brands**  
Brands with sports/technical differentiation to capture growing demand in active consumer segments.
- 6 Growth channels and platforms**  
Retailers and platforms with innovative models and the headroom to establish economies of scale.
- 7 Reviving heritage brands**  
Established names that lack focus yet have the potential to realise latent value.

For the full data and more insights from our apparel report, please get in touch:

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