



The UK  
Ecommerce  
Association

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# What's the Outlook for Online Fashion Retailers?

February 2022

## Meet the Team

### What's the Outlook for Online Fashion Retailers?

#### Certainly

"The last couple of years has seen plenty of shocks to ecommerce, from spiking demand and changes in consumer preferences to new technologies unlocking the potential of e-shops. Knowing your customer and being able to sell directly to them is going to be critical in the future, and by bringing together IMRG's data and our market knowledge, we hope to give you the tools to do this. I hope I can add some insightful context to this excellent report and that you find it useful as we go into 2022." Henrik Fabrin, CEO of [Certainly](#).

[Certainly](#) is a Conversational AI Platform made for ecommerce businesses. At Certainly, we enable companies to deliver exceptional experiences and scale their growth using our next-generation AI technology. We're making ecommerce personal: insights from zero-party data from conversations with visitors ensure fewer product returns, lower cart abandonment, and higher customer lifetime value.

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Certainly

#### IMRG

"Here at IMRG, we're excited to be working with Certainly, in order to bring together an all-important summary of performance in fashion. Retailers in this space have had an unpredictable two years, but on the whole have done ok across the duration of the pandemic. We'll be looking to the future, to see what trends we might find, and how retailers can best adapt their strategy."

We help our members understand and improve their online retail performance through a busy programme of performance benchmarking, data analysis, insight, best practice-sharing and events. We have been tracking online sales since 2000 – and now measure over 120 individual metrics in a series of indexes, providing in-depth intelligence on online and mobile sales, delivery trends, marketing ROI and channel performance.

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# The Future of Fashion

What's the Outlook for Online Fashion Retailers?

The world of online fashion retail is shifting, as we've observed rapid changes in the way that customers shop, and retailers sell. The past few years meant brands have had to rethink their strategies and adapt to the challenges of a global pandemic. Every sector of ecommerce has had their worlds shaken upside down, but what exactly has been going on in fashion retail, and what does this mean for the future?

In this report, IMRG have teamed up with Certainly, to bring you the key details surrounding what's going on in the fashion world, including deep data analysis surrounding retail performance, and the challenges and opportunities arising in the future. What will 2022 hold for online retail?

Which sectors of fashion thrived; how did multichannel and pureplay retailers fare; and how can you come out on top? Find out all this, and more, in our all important summary of the year in fashion.

*“What will 2022 hold for online retail?”*



### Take a look inside...

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“In 2022 we will see the new normal for ecommerce take shape. With the world re-opening, the tailwind that online merchants have experienced the past two years from the accelerated growth in online purchase penetration is slowing down. Competition is heating up, so retailers must embrace the technological trends that will help them get new customers and retain the ones they already have. In response to this, the adoption of Conversational Commerce technology is growing fast. We are seeing first-hand how this conversation-first user experience unlocks outsized value for merchants in terms of revenue and customer insights, and our mission is to accelerate our customer's growth”

**Certainly CEO, Henrik Fabrin.**



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# What Impact Did The Pandemic Have on Fashion?

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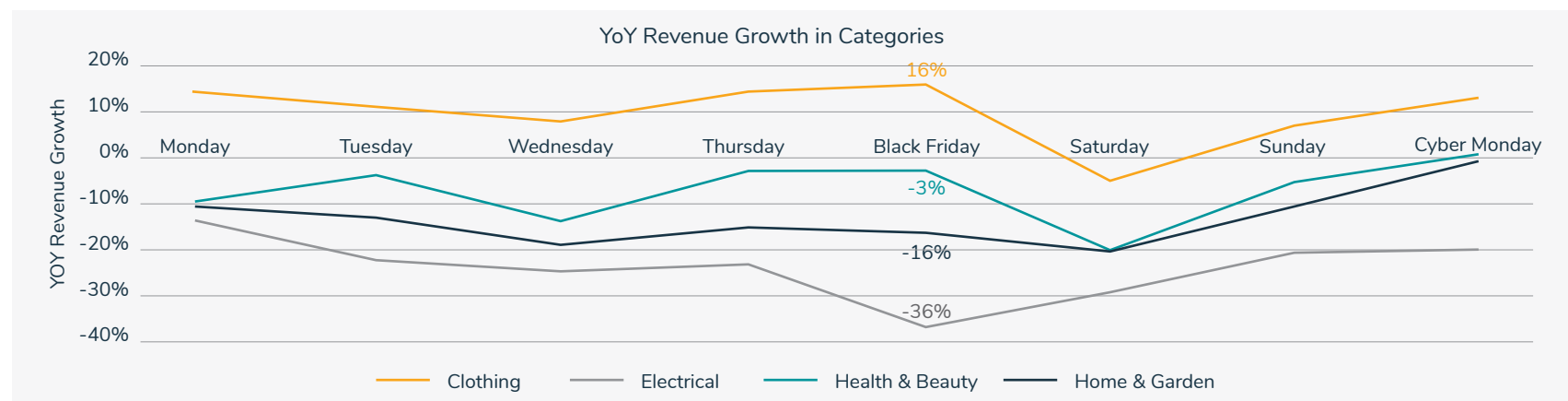
The pandemic has not only changed the way we think about the world and the way we behave, but it's also changed the fashion industry. Retailers in this category cannot possibly have foreseen what the past two years had in store for them back in 2019, as the pandemic had a profound impact on demand to an even greater extent than was true for other categories.

In 2020, many online categories did well when the high street was shut, and the only option was to shop online. However, clothing had a particularly bad year as its year-on-year (YoY) online growth was only up 1% for the year as a whole— a lower rate than it recorded pre-pandemic. Clothing didn't have the surge in demand which other categories such as home and garden saw, as shoppers were staying indoors, with nowhere to wear new outfits when the UK lockdowns hit. For this reason, formalwear in particular struggled, as no-one was in the office or out at events. However, athletic and loungewear did really well due to a change in peoples' habits. Similarly, trainers had a good year, whilst shoes in general did not.

### The Growth of Fashion

In 2021, the growth rate started to appear a little confusing. This was because 2020 saw such a low growth rate in the clothing category, that 2021 appeared to sky rocket when using the usual YoY measure. Some weeks saw up to 20-30%+ growth, which would have been an enormous amount any other year, but within the context it's deceptive, merely reflecting the previous year's performance.

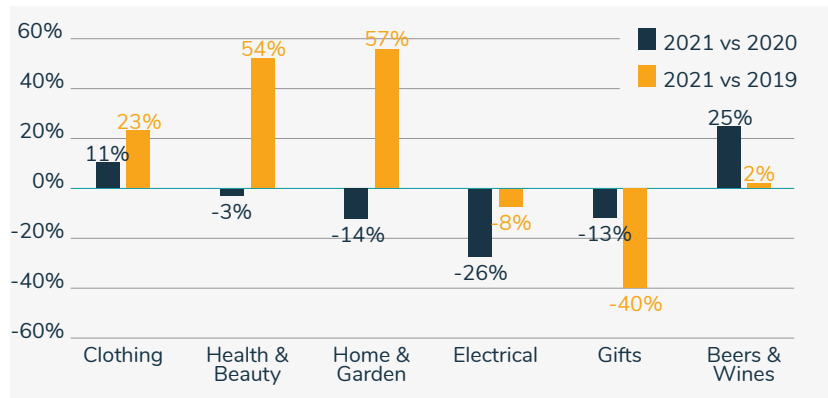
The below graph, showing online sales growth across the eight days of Black Friday week, illustrates this point perfectly, as the line representing clothing appears to be performing far above the others. However, this is just an overcorrection for the poor performance of 2020, as it bounced back in 2021.



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What might actually serve as a more accurate measure, is comparing category growth from 2021 to 2019 for that same Black Friday week, as opposed to 2020. Categories that showed excellent performance in 2020 were actually negative against 2019, as there was less money spent—for example, electrical. When comparing clothing with 2019, it's actually up +23%, which is very positive when excluding the anomalous pandemic data.



“Over the past couple of years, fashion retail has seen plenty of shake-ups and opportunities. From traditional brick-and-mortar stores like The Fragrance Shop, UK’s largest independent fragrance retailer, to newer digital native urban fashion brands like Siksilk, Certainly has seen retailers looking to scale up their online presence in the face of the uncertainty the various lockdowns have brought to the high street. In using Conversational Commerce and other forms of AI, such as automating ticket deflection, they’ve been able to achieve this a lot more smoothly than their competitors”

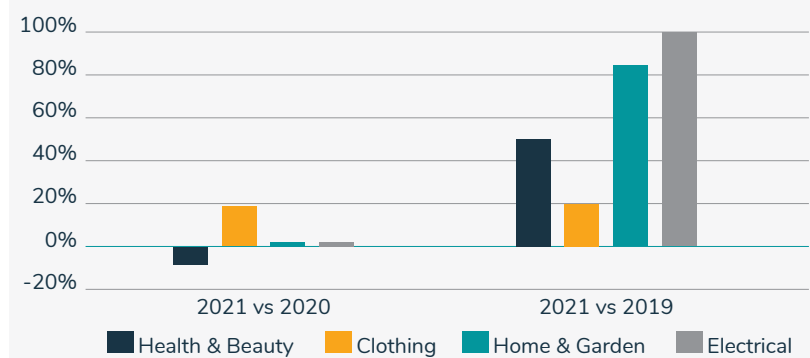
**Certainly CEO, Henrik Fabrin.**

*“Clothing has performed well over the two year period measure, coming in up +23%”*

### What Does it All Mean?

We can conclude from this data, that whilst it may initially appear that clothing has done poorly from the pandemic, it's just shifted the data slightly, making it harder to read. In fact, clothing has performed well over the two year period measure, coming in up +20%. Despite the ill-fitting YoY measure, clothing actually finished 2021 up +19%.

As can be seen from the chart below, it means clothing did quite well across the two years, though not anywhere near as well as other categories IMRG tracks.



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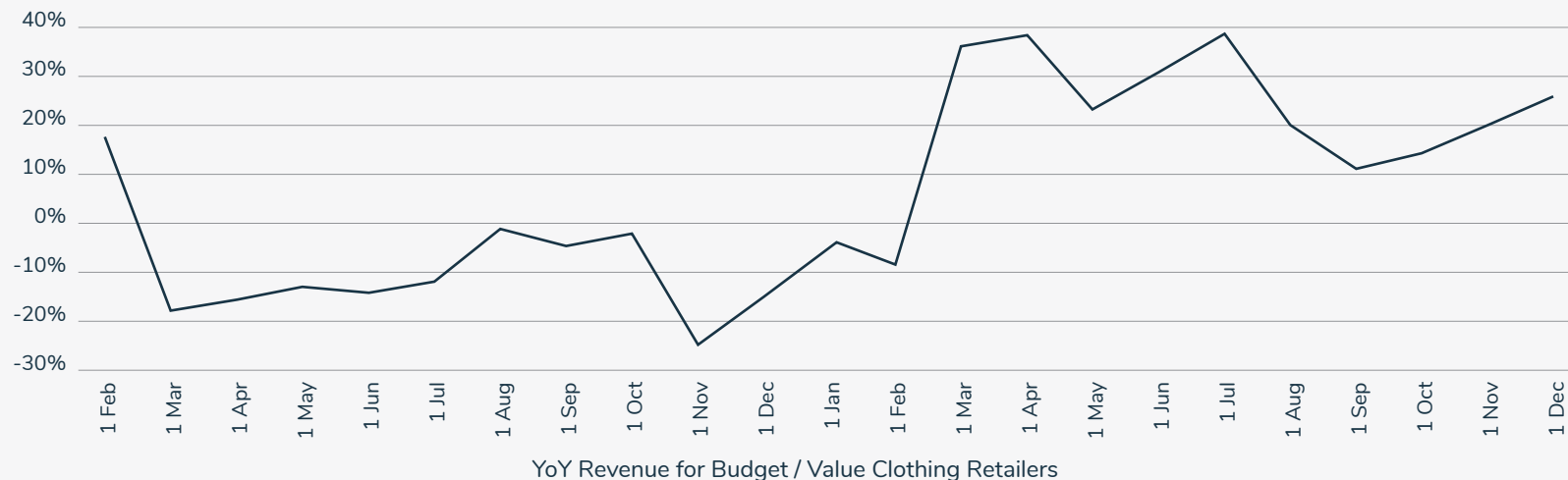
## How Did Retailers Perform?

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Although clothing has come in at +20% growth over the two year period, these two years have looked very different for each and every individual retailer. We broke down the results to find out how retailers are performing on different levels, and found some interesting trends.

#### Budget and Value Clothing Retailers

Budget and value clothing retailers saw a fairly standard pattern, based on what we'd expect. Over the 24-month period from January 2020 to the end of 2021 (tracking the pandemic), it went from underperforming, to huge growth. This was because growth for this group dropped away by the most significant margin; covering a full 12-month period from the first UK lockdown, meaning it appears hugely positive in 2021, tracked against the previous year. As for the year ahead, although there will be some impact on growth rates due to the high comparator, it could be that we see budget retailers continuing to do well in 2022. This is due to the rising cost of living, as the price of fuel, energy, housing and goods is rising. Therefore, more customers may turn to value brands to help their budgets go further.

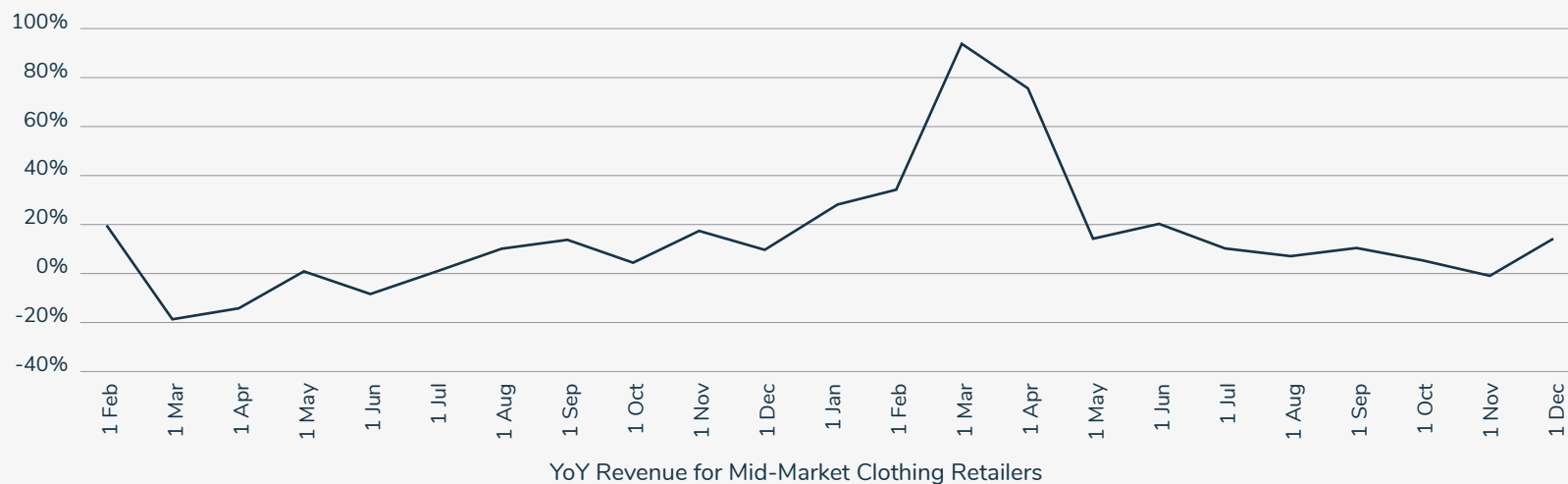


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### Mid-Market Clothing Retailers

Mid-market clothing retailers experienced relatively steady growth throughout the last two years, as they can be considered to have had average growth in 2020, meaning the 2021 growth looks relatively average too, when mapped Year on Year. However, mid-market retailers must watch out, as the aforementioned inflation and increased price of living might mean that those customers usually shopping at a mid-range price might drop their budget and turn to value retailers; in previous economic downturns, it has been the middle that got squeezed in this way.



“The challenges posed to mid-market retailers by the increased cost of living and the gradual re-opening of the high street are not insignificant but possible to overcome. Our customers have seen improvements to conversion, up-selling, and checkout completion. These all increase customer lifetime value, something which will be vital for these retailers in the coming years. After all, it's much cheaper to get a customer and retain them than to find new ones”

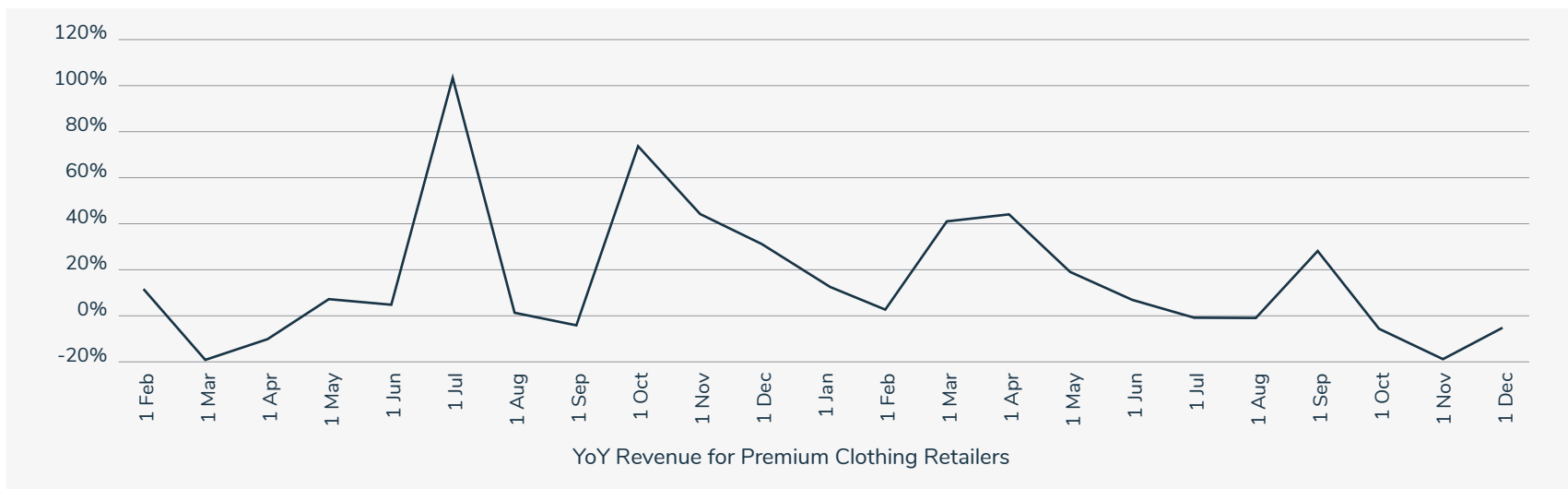
**Certainly CEO, Henrik Fabrin.**

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### Premium Clothing Retailers

As for premium retailers, it's a different story. High end retailers have seen many ups and downs over the past two years, making it difficult to suggest a trend line—although, based on recent results it look as though growth could be heading downwards. However, unlike budget and mid-market retailers, premium retailers rarely seem to be affected by inflation and rising costs to the same extent, as their target demographic will likely be less affected by downturns and can continue to purchase goods at a higher price.



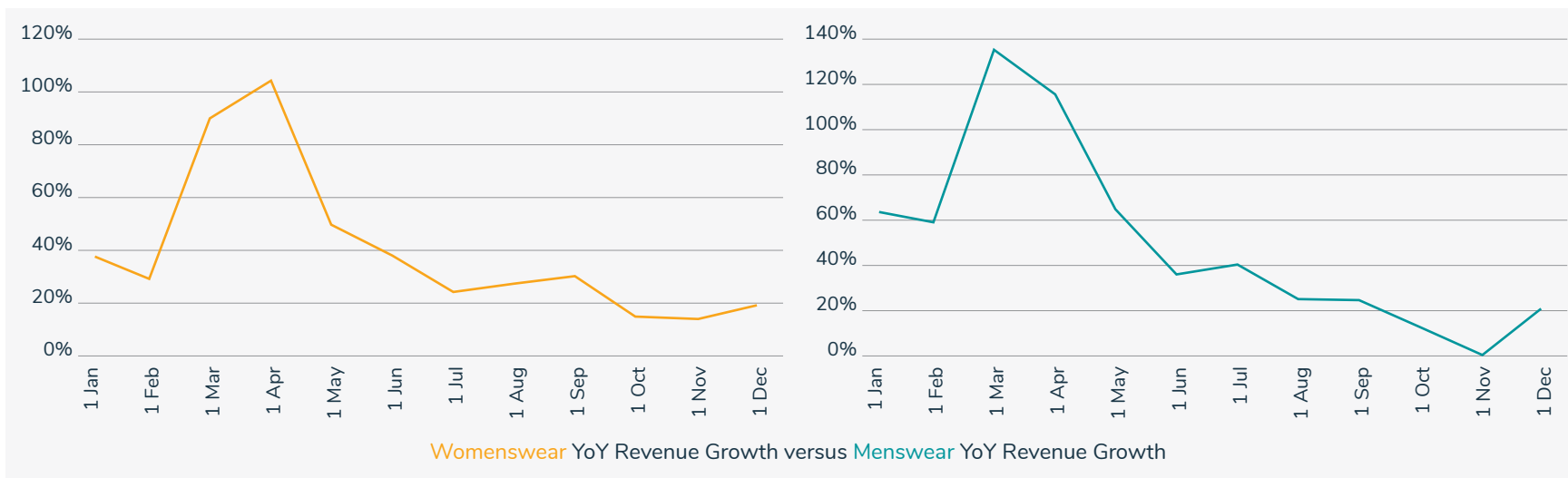
Generally, we could suggest from these trend lines, and current economic conditions, that the next few years will see mid-market fashion retailers find it slightly harder than the budget and premium retailers to achieve strong sales performance and high customer retention.

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## What's the Outlook for Online Fashion Retailers?

### Category Performance

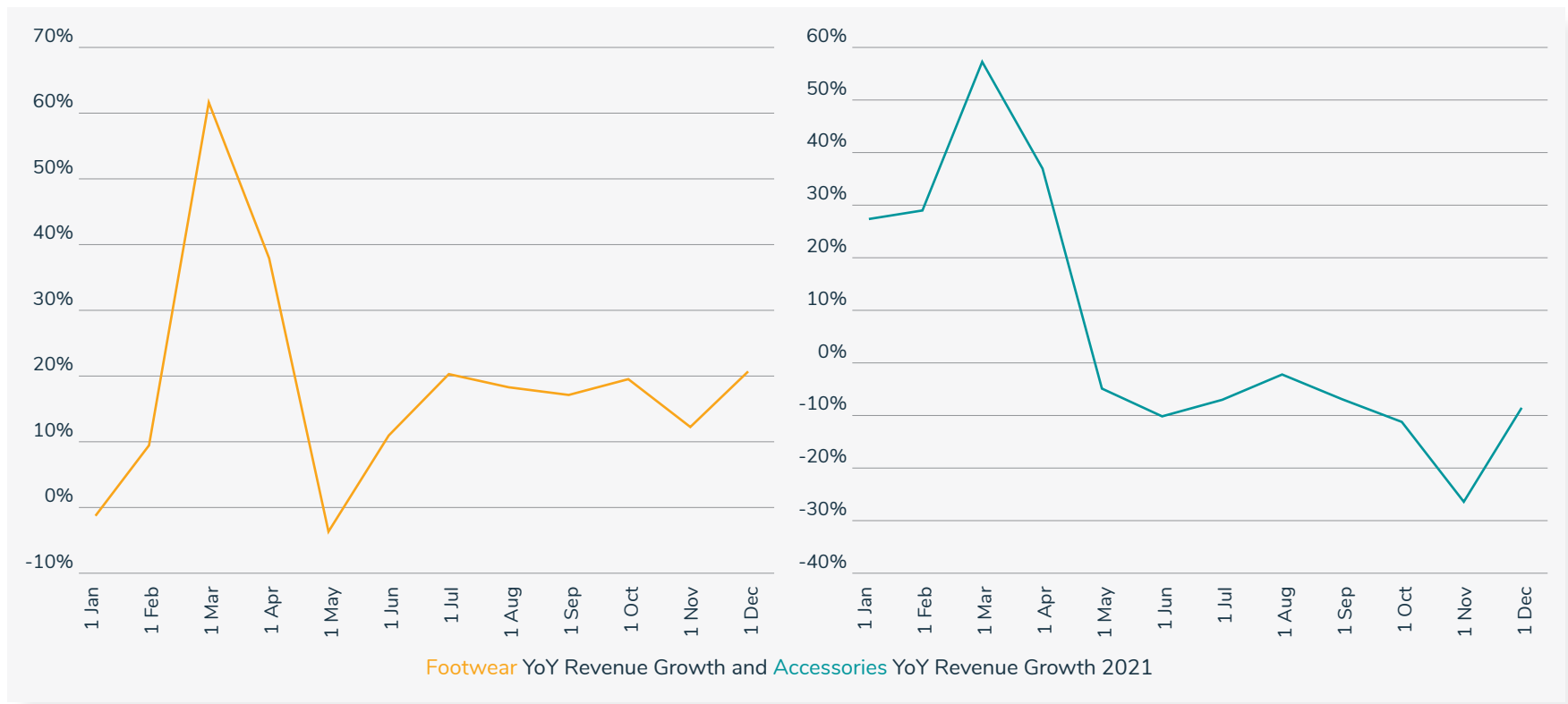


When it comes to types of retailers, based on their product categories served, we took a look at how each were performing. Generally speaking, there was a fairly similar pattern emerging, in which online fashion retailers saw a huge positive increase in performance during the first half of the year, then lower, or negative growth after April, when the shops reopened. This can be explained by the fact that multichannel fashion retailers performed extremely well during the pandemic, seeing positive growth in 2021, as customers used to shopping in-store, moved online. Although the growth may appear very high, it's actually a response to the low growth of the previous year, where the YoY measure then makes it appear hugely increased compared to poor growth during the first year of lockdowns.

This is because less people were buying clothing or footwear to go out. However, when the shops reopened, growth appeared hugely negative, perhaps because of the switch back to in-store shopping, compared to the same period the year before. More specifically, accessories saw the poorest growth across the year, coming in at -8.5%, whilst womenswear saw 18.6%, and menswear 20.3%. Footwear was similar, up 20.1% overall.

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## What are the Challenges of Online Fashion Retail?

### What's the Outlook for Online Fashion Retailers?

Fashion retailers weren't short of challenges last year. Ecommerce became more volatile than ever before, as brands had to react to global challenges such as the pandemic, supply chain problems, new competitors, and a drop-off in traffic. For 2022, it looks likely that we are at the very least moving into a phase of the pandemic where restrictions will become increasingly less necessary, and possibly even into a post-pandemic era. That said, 2022 is not without its challenges due in no small part to the longer-term impacts of the pandemic. Here are six challenges we think fashion retailers should be aware of, plus four opportunities.

#### Challenge No.1 – More, More, More

When the lockdowns hit the UK, it was a great opportunity for more online retailers to build their customer database and acquire new website visitors. However, it was the same for their competitors, so there were more people selling online. This led to a larger pool of retailers with a bigger focus on online and increased competition; particularly around ad spend making customer acquisition more expensive. On the positive side, however, there were more people buying.

#### Challenge No.2 – New Competition

Similarly, as there were more brands selling online, and more people shopping, what were once small competitors may now have grown, as many smaller retailers saw huge expansions and growth during the pandemic. These new brands provide fresh competition for traffic and customers, with exactly who all those competitors are not necessarily clear yet.

#### Challenge No.3 – The Cost of Living

The cost of living is generally going up, which means that customers have less money to spend, and are selective about where to spend it. With the rising prices of petrol, housing, and energy making headlines in 2021, the coming few years could be challenging for retailers trying to entice their customer base to spend.

#### Challenge No.4 – Seasonality is Key

Due to the supply chain problems that dominated 2021, many retailers ended up receiving their stock later than expected...and sometimes out of season. This then made it extremely difficult for retailers to sell their stock. For example, no-one wants a ski jacket in summer, and no one wants a bikini in mid-winter—but they might not have had the choice.

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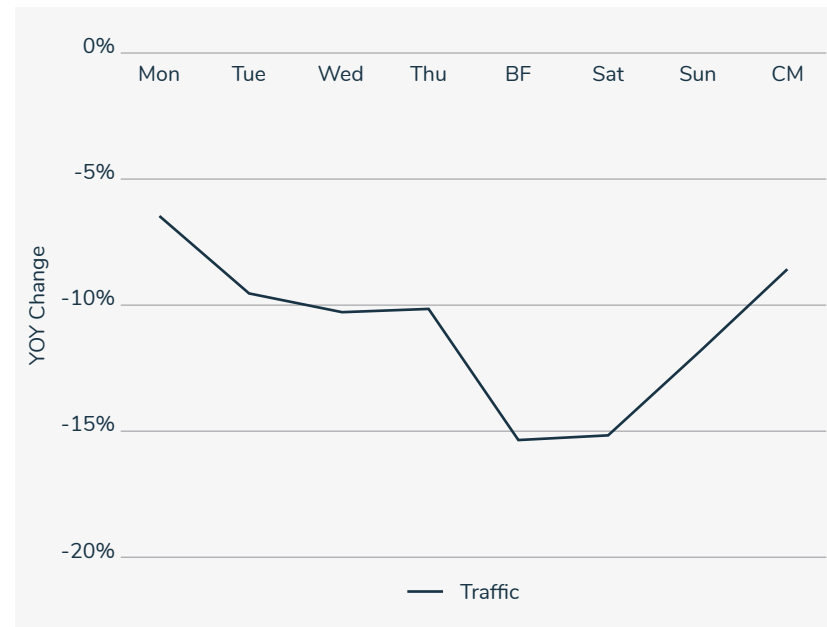
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### Challenge No.5 – Sustainability in Every Direction

Sustainability is a hot topic; everyone's doing it (or at least, talking about it). However, the reality is that sustainable practice is not yet incorporated into a lot of retailers' business models or it's just not viable, therefore they're lagging behind. Will this be the year when shoppers start to shift their custom over to brands that meet their ethical aspirations?

### Challenge No.6 – Traffic Jam

Traffic was down across the board in 2021 over Black Friday week, as there were less people online. High street stores reopened, and many people went back to working in an office. As seen in our graph from traffic across November and Black Friday, the most important time of the year for retailers, there was a real struggle to get visitors on the websites, meaning less was sold.



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## What Opportunities Can be Found in Fashion?

Aside from the challenges that have opened up in online fashion retail, a mass of opportunities have presented themselves to retailers. The future is bright, when looking ahead for the year, as there are plenty of areas for fashion retailers to stand out.

### What's the Outlook for Online Fashion Retailers?

#### Opportunity No.1 – Lots of Online

On the flip-side of one of the challenges that presented itself in 2021, the amount of people online means that plenty of opportunities have opened up to retailers.

Whilst there may be more competition, the number of customers who have branched out with their online shopping choices, during the pandemic, has expanded. This means that retailers are able to utilise this opportunity to acquire new customers, build loyalty, and compile larger databases.

#### Opportunity No.3 – Picking Platforms

Retailers now need to think-smart, as their customers might have migrated to different platforms for purchasing, or advertising, over the pandemic (such as marketing on Tik Tok, which exponentially rose in popularity during the lockdowns).

In order to stay ahead of competitors, it's essential to follow customers to the platforms they're heading to. Are customers seeing the right type of advert, and is the brand speaking to their needs?

#### Opportunity No.2 – What the Customer Wants

Along with changes in the way retailers are acquiring customers and data, the customers themselves are changing. Over the last two years, our lives have changed immeasurably, therefore what we want has shifted too.

Retailers will need to ensure they're following their customers in order to retain them, and that they're offering what it is they're looking for. Some customers might expect changes in the prices, quality, or product, to reflect their new expectations. For example, customers now expect rapid home delivery as a result of a precedent set over the course of the lockdowns. The retailers who best understand these changes will be well placed to succeed.

#### Opportunity No.4 – All About Image

There are many opportunities for fashion retailers when it comes to their image, and brand ethos. With sustainability emerging as a common wish of the customer, innovation and thoughtful ethos might be ripe for expansion for lots of brands.

Strong brands have space to expand and really come into their own, as the customer will be looking for those that stand out. The pandemic has given shoppers a new-found sense of what they want, with stronger alignments to really unique USPs.

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“Technology is ecommerce’s best friend. Particularly any technology that gives businesses a competitive edge. One of the latest evolutions of AI that is getting lots of attention is Conversational Commerce. With a Conversational Commerce setup, companies can now offer online what brick-and-mortar retailers have always been able to: instant access to a sales assistant to help them at every step of their buying journey. In addition, they can scale and collect zero-party data providing many more opportunities for growth than a human sales clerk”

**Certainly CEO, Henrik Fabrin.**

### What Can Retailers do?

Following on from the areas rife for expansion in fashion in 2022, there’s plenty that retailers can do, in order to enact the changes that will keep their enterprises ahead of the curve. We understand that every retailer is different, and that one strategy is not ‘one size fits all’; what works for one business may not be the right choice for another. That being said, we’ve compiled some suggestions of what fashion retailers could do in order to further their business strategy and utilise opportunities to best prepare for the year ahead. Retailers will need to think about conducting new analysis or potential market research to figure out how their business model might change...ensure that you’ve thought about the following aspects.

*“Retailers will need to think about conducting new analysis or potential market research to figure out how their business model might change.”*



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## What's the Outlook for Online Fashion Retailers?

### Retailer Checklist

**What impact will the increased cost of living have on your customer base?**

Are you a mid-market retailer, in which case you may lose customers to the budget tier in the coming months, or are you premium, and therefore will want to think about how to maintain and grow your loyal customers? If you're targeting a specific group, will they be able to afford your products?

**How will your competitors adapt and change?**

Whilst you may be changing your strategy in order to match these new needs and expectations, so will your competitors. Especially for those SMEs, many very small businesses might have blossomed during the pandemic, and are being shifted into larger bases. Medium enterprises might find that their have a range of new competitors, as new businesses emerge.

**Can you meet raised customer expectations?**

Due to customers now expecting super-fast home delivery, and discount prices, it's important to understand the demands of your demographic. What do they now want, and how can this be delivered?

**Have the big changes in the last two years changed behaviour or expectation?**

Ensure that you are responding to what it is that your customers are looking for, and where they're seeking to find it. For example, has their budget, or expectation of the product changed?

**What role is advertising playing in your fashion retail company?**

With the price of advertising, and PPC, skyrocketing, it's important to spend, in order to acquire new customers, however the money must be well placed on the correct platform, to the right demographic, in order see returns.

"UX and CX can make it or break it for ecommerce businesses. That's where a lot of the opportunities lay. The benefits of leading your customers from point A to point Z of their buying journey cannot be understated. For example, over Black Friday Week, the use of Certainly chatbots spiked customers' conversion rates by 150%, nearly three times higher than their ecommerce competitors"

**Certainly CEO, Henrik Fabrin.**



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## Fashion in Summary

### What's the Outlook for Online Fashion Retailers?

To conclude, much like every other aspect of the past two years, fashion has seen a tumultuous time. Particular products, such as trainers and athletic wear boomed during the lockdowns, whilst formalwear and footwear fell flat. Looking to the future, retailers must consider the challenges that this new climate is presenting, such as a fight for traffic, and new competitors. In order to make the most of opportunities, they must ensure they really understand what their customers want, and how to stand out in a changing market.

“Despite the high street seeing more footfall in 2021 than 2020, the peak season data from Certainly ecommerce customers suggests that there are ways that online retailers can maximize their profits. There are huge untapped opportunities within ecommerce. The use of Conversational Commerce as new technology has made the difference for our customers in the way they understand their users, cater to their needs and, therefore, become more profitable”

**Certainly CEO, Henrik Fabrin.**



### 3 Key Takeaways:

1. Fashion saw high YoY growth in the first half of 2021, due to poor performance in 2020, as the industry bounced back. Overall, clothing was up +20% over 24 months.
2. The rising cost of living could produce a squeeze effect around mid-market retailers, forcing more customers into budget/value bands.
3. Whilst there are many challenges ahead, the market is ripe with opportunities for expansion and development.

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