



2021 Luxury Retail Report

Luxury Apparel Retailers Back in Vogue

What the data reveals about smart
pricing and retailing

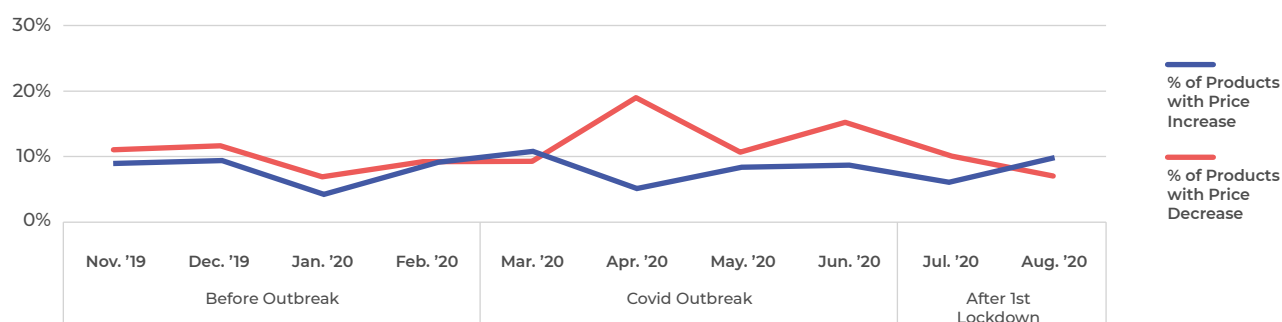


Luxury is roaring back for the holidays. During the upcoming season, as no other time, luxury retailers need to gain speed-to-market and first-mover advantage. While the disruption of lockdown made serious digital investments an imperative, luxury retailers have more than caught up by taking advantage of hot demand for certain products and a consumer base that is willing to pay for them. With thousands of new products arriving and online prices changing every day, the smartest of these retailers are staying ahead of the curve by [leveraging marketplace insights](#) to get—or stay ahead of market trends. Among these, DataWeave's insights show how brands and competitive offerings are creating a new Roaring 20s for eCommerce luxury.

Being able to track real-time marketplace insights can help enable a first-to-market strategy, while having access to historical patterns can also help retailers react faster to future market factors such as store closures. As we saw during the early Covid lockdown, these types of insights can provide navigation through chaotic times and may help retailers through potential future pandemic-related disruptions. This report contains DataWeave's insights tracked within the retail luxury space, starting pre-pandemic, November 2019.

One major impact the initial pandemic lockdown had was on the promotional cadence for handbags within online premium luxury retailers. In November 2019, the percentage of handbags that retailers marked up (9 percent) lagged behind those that were marked down (11 percent); 9 months later, in August 2020, these numbers had crisscrossed, with markups (10 percent) significantly leading markdowns (7 percent).

Price Changes for Handbags - Pre, During, and Post Covid Lockdown



Source: DataWeave Pricing Intelligence for Luxury Apparel Retailers – Average price change for Bloomingdales, Farfetch, MatchesFashion, Neiman Marcus, Nordstrom, Net-a-Porter, and Saks Fifth Avenue websites combined

The high-level trend we're observing in the Luxury category is a trend toward consumers paying full-price, which may be a response to pandemic lockdowns, supply chain constraints, and specifically toward scarcity. Ironically, this should come as great news for luxury retailers who for years have been trying to gain back pricing power and reverse the discounting race to the bottom. The trends suggest the possibility

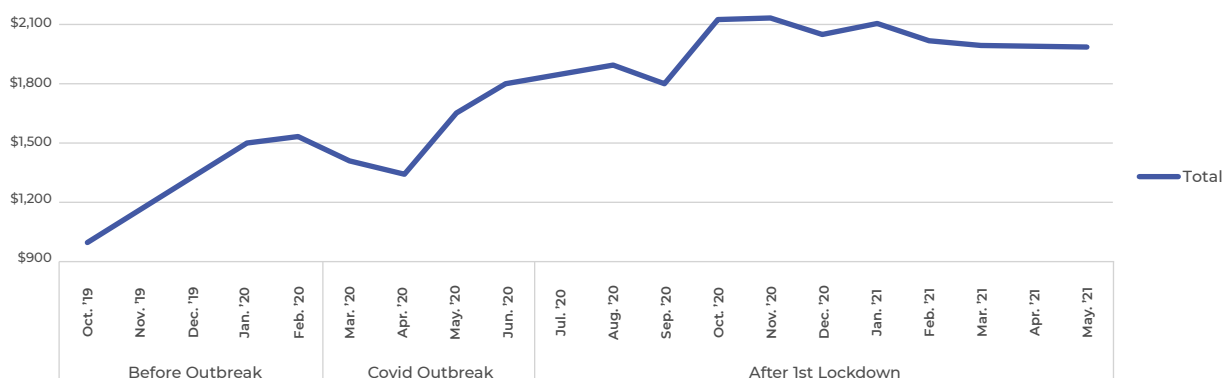
of similarly occurring patterns of competitive response to future price changes during any future lockdown or other crisis.

As consumers have returned to school or the office, more have invested in timeless fashion pieces (like handbags) as status symbols—indicating that consumption habits are shifting from essentials to desires. We see

this trend robustly sustaining itself into the holidays, furthering competitive pressures for retailers. Our data shows that in the jewelry category, for example, retailers are primed for

demand, given the average selling price for jewelry on luxury retail websites more than doubled between October 2019 and May 2021—from \$986 to \$1,981.

Average Selling Price for Jewelry on Luxury Retail Websites



Source: DataWeave Pricing Intelligence for Luxury Apparel Retailers – Average Selling Prices for all Jewelry on Bloomingdales, Farfetch, MatchesFashion, Neiman Marcus, Nordstrom, Net-a-Porter, and Saks Fifth Avenue combined websites

LUXURY APPAREL RIDES A WILD ROLLERCOASTER

Supply chain constraints have played a prominent role in the inflationary forces we've been observing during 2021. While the jury is still out on whether increased prices are going to be permanent, price increases have been on the radar since [April](#). The June 2021 Consumer Price Index showed the price of clothing rising 5.6 percent year-over-year, the highest price inflation since August 2008, and demand is strong, even with added expenses passed on to consumers. While consumer

staples tend to behave differently than discretionary spending, experts are also predicting that stronger than usual consumption of luxury will continue for the remainder of 2021, including the holidays—fueled by high savings and wage inflation, which have increased many consumers' disposable income. According to our data, this 'consumption upgrade' seems to have swayed apparel pricing and assortment strategies.

The general outlook for apparel is rosier than it has been in more than a decade. In June 2021, the apparel and accessories category was [forecast](#) to be the leader in U.S. retail sales growth this year, up 28.7 percent year-over-year. The online picture for apparel is even better, likely due to the pandemic and consumers' discovery of the relative ease of trying on clothing at home: eCommerce accounted for [46 percent of total U.S. apparel sales in 2020](#), with an annual growth rate of nearly 22 percent. And [luxury apparel has grown steadily](#) every year since 2003, logging on 29.5 percent of total U.S. fashion retail sales in 2020.

What does this mean for luxury apparel in a time of pandemic change? These huge swings are prompting fashion retailers to revise their digital strategies and invest in data-driven solutions to help them understand and capitalize on this momentum in luxury fashion. Apparel retailers need to gain superior agility, speed-to-market and

new ways of doing business to reflect changing market needs—and to optimize digital marketing spend. Bottom line, retailers need to be able to price competitively, equip themselves to immediately address price gaps, and quickly make shifts within their assortment decisions to reflect in-demand premium products.



And this can pay off big time. As luxury retail CEO Erik Nordstrom said: By leveraging a more data-driven approach along with our evolving partnership models with our vendors, we were able to increase our selection by 12 percent and reduce the rate of items sold out by 35 percent versus 2019, while at the same time maintaining a comparable sell-through, and finishing with a healthy position in owned inventory as we exited our Anniversary Sale event.”

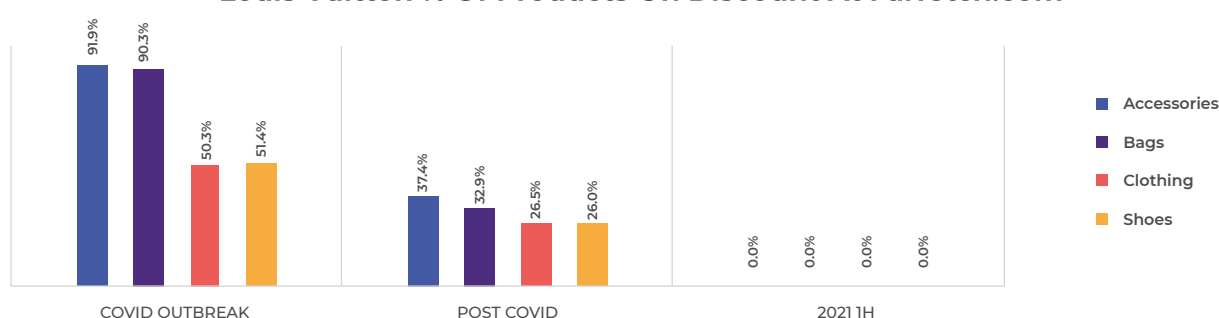
— CEO Erik Nordstrom

RETURN TO PRICING POWER: DISCOUNTING GOES AWAY AS COVID WEARS ON

Similarly, during the first half of 2021, luxury giant LVMH earned record revenue of \$34 billion, 14 percent higher than its total revenue in all of 2019. The largest sales growth occurred among fashion and leather goods. As supply struggles to keep up with demand, the clamor for Louis Vuitton products is so high that consumers often agree to be put on waiting lists. Our data show a significant decline in

promotional activity for Louis Vuitton products on Farfetch.com—for example, before the pandemic, nearly 92 percent of Louis Vuitton accessories were discounted; during Covid in 2020, this number fell to 37 percent; and by 2021, no accessories—zero—on Farfetch have been discounted. As noted in the chart below, the lack of promotional activity in 2021 was not exclusive to the accessories category either.

Louis Vuitton % Of Products On Discount At Farfetch.com

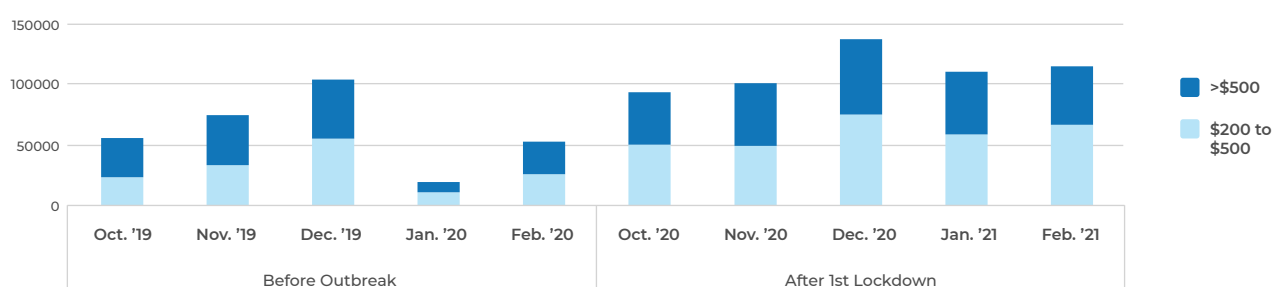


Source: DataWeave Promotional Insights Solution for Luxury Retailers – Farfetch.com website; Covid Outbreak Period was April-June 2020, Post Covid Period was July-December 2020, and 2021 1H was January-May 2021

Our data shows that the shift to increasing premium price points and assortment within the footwear category is not exclusive to Farfetch, however. Inventory count changes for luxury shoes priced from \$200-\$500 and more than \$500 have been very significant across several premium retail apparel websites in the pre- and post-pandemic lockdown periods. As

the below chart shows, from October 2019 to October 2020, we saw a lift from 23,195 to 49,870 SKUs in the \$200-\$500 category, and 32,122 to 43,401 in the over-\$500 category. The year-over-year story from January 2020 to January 2021 was even more dramatic: including both price ranges, there was a lift from 19,169 to 110,643 SKUs.

Luxury Retailer Footwear Product Count Priced Over \$200

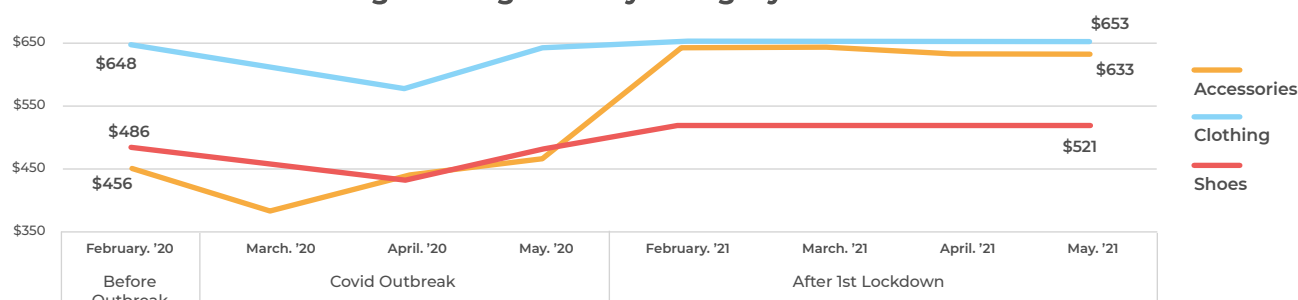


Source: DataWeave Pricing Intelligence for Luxury Apparel Retailers – Average price change for Bloomingdales, Farfetch, MatchesFashion, Neiman Marcus, Nordstrom, Net-a-Porter, and Saks Fifth Avenue websites combined

Among apparel subcategories, premium bags and accessories understandably accounted for a lower proportion of luxury retailers' total assortments once the pandemic hit, as consumers stayed close to home. By contrast, our data shows that clothing and shoes started to represent a greater percentage of the total assortment.

Yet, luxury accessories have increased in price, while clothes and shoes have increased only marginally as noted in the data we tracked on Farfetch.com. Our insights show the average selling price of accessories rising from \$456 in February 2020 to \$633 in May 2021; meanwhile, clothing averaged \$648 in February 2020 and had only risen to \$653 by May 2021. Shoes, similarly, rose only modestly during this period, from \$486 to \$521.

Average Selling Price by Category on Farfetch.com



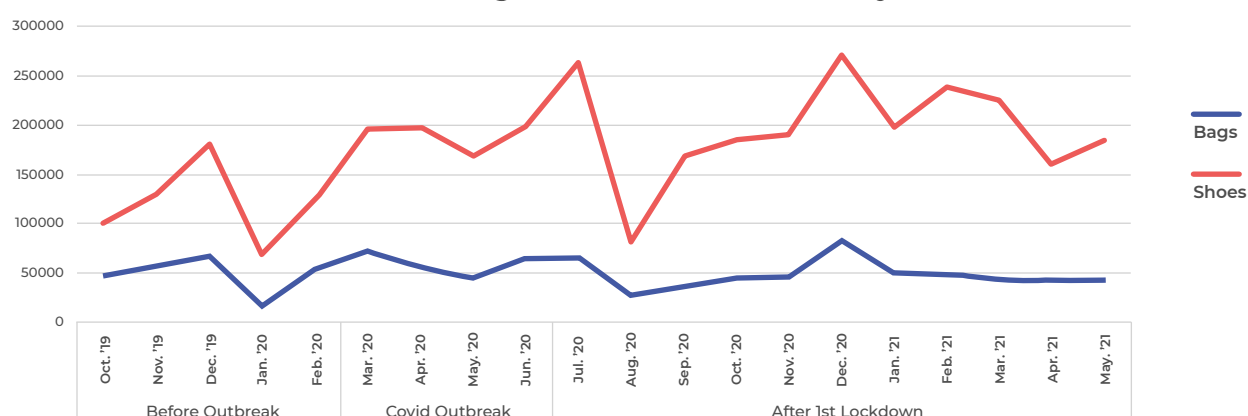
Source: DataWeave Pricing Intelligence for Luxury Apparel Retailers – Farfetch website

MILLENNIALS ARE LUXURY INFLUENCERS

Luxury retailers are finding that some shifts in demand are necessitating changes in targeting their marketing efforts to the right demographic—who might be causing or influencing these shifts. The evidence is incontrovertible that globally, luxury shoppers are getting younger. By 2025, millennials will account for 50 percent of luxury sales. Currently, they are driving demand within luxury footwear in particular, as they evolve

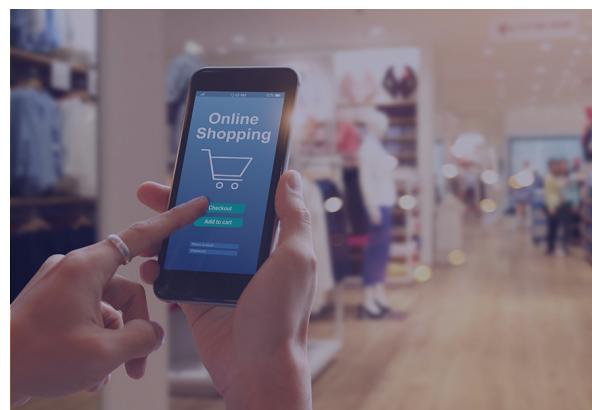
beyond handbags to embrace designer shoes as status symbols. Our data show that the total SKU count changed for online luxury fashion retailers for handbags versus shoes between Q4 2019 and May 2021. Overall, the count significantly increased—though erratically—for shoes over time from 102,232 to 183,718, while the total count for handbags remained relatively stable, around 50,000 SKUs.

Shoe and Handbag Product Count for Luxury Retailers



Source: DataWeave Assortment Analytics for Luxury Apparel Retailers – Total Product Count for Bloomingdales, Farfetch, MatchesFashion, Neiman Marcus, Nordstrom, Net-a-Porter, and Saks Fifth Avenue combined websites

Online luxury fashion platform Farfetch claims that two-thirds of its shoppers are millennials or Gen Zers; they are one of many voices saying that luxury shopping is staying digital. A recent survey of their newer customers found 45 percent say they will continue to do more of their shopping online. With the 2021 holiday shopping season right around the corner, competition will intensify to gain millennials' attention as online shopping events and promotions start earlier to avoid supply chain strain, including shipping delays and out-of-stocks.



WHAT LUXURY RETAILERS NEED TO DO

All of these trends are welcome news for fashion retailers. However, they must now revise their marketing plans to keep up with growing enthusiasm for posh products, bought online. Brands need to know what searches are trending, what consumers are looking to buy, what prices and promotions are landing with the consumer, and even more importantly, what's not, and what their competitive position is at any point in play. That way, they can remain relevant to an often fickle consumer. Even with eCommerce demand reaching a peak for luxury goods this holiday season, only a small fraction of retailers plan to start their promotions earlier in the season to flatten demand.

Based on analysis of our data, this holiday season, our advice to luxury retailers is to increase their understanding of the fast changing market, so that they can get their orders right, and on time; correctly establish, and reestablish, and keep reestablishing pricing; send out promotions at the right time; and get the right merchandise in stock, to the right locations. With these tools in place, the sector should see a banner holiday season.



ABOUT DATAWEAVE

DataWeave is a leading provider of advanced sales optimization solutions for e-commerce businesses, consumer brands and marketplaces. The AI-driven proprietary technology and language-agnostic platform aggregates consumable and actionable Competitive Intelligence across 500+ billion data points globally, in 25+ languages, with insights to performance for more than 400,000 brands across 1,500+ websites tracked across 20+ verticals, to ensure online performance is always optimized.

Connect With Us

Email: contact@dataweave.com

Call: 1.425.458.5110

www.dataweave.com

