



2022 Fashion Retail Report

Fashion Retailers Seize The Right Opportunities To Win The E-commerce Race In The UK

How retailers are adjusting their strategies to maximize profit margins.



In the wake of the e-commerce boom, retailers that have stayed flexible & have aligned to changing consumer demand have come up on top. Fashion retailers now witness intense competition, which further requires advanced pricing and assortment management strategies to stay ahead. From January 2022 to June 2022, we tracked a few Fashion retailers in the UK and 11,000+ SKUs to understand how the strategies of top retailers have evolved amid inflationary pressures, supply chain issues, and changing consumer preferences. We tracked Stock Availability, Average Selling Price (ASP) trends, Price Changes, and analysed Price increase and decrease opportunities present in the market. Our analysis highlights how important it is for retailers to proactively alter their pricing strategies according to market fluctuations. Further, it also double clicks on the importance of acting immediately on the right price increase & decrease opportunities to ensure higher sales as well as profit margins.



A balanced action on price increase and decrease opportunities is the key to optimum pricing



A top retailer we tracked acted on over 1/4th of price-change opportunities



ASP for the apparel category declined by a maximum of 6.5% in June 2022 versus May 2022

UK FASHION INDUSTRY IN A NUTSHELL

After almost two years of disruption due to the pandemic, the fashion industry is stabilizing in this new environment. Retailers and manufacturers are adapting to new consumer preferences and shifting to e-commerce. These factors have supported overall industry growth.

The outbreak of COVID-19 has altered the way consumers shop. Product choices and preferences for sales channels have changed. Customization, social commerce, and sustainability are some of the key factors modulating the way consumers are shopping now. With inflation rates reaching an all-time high, increasing shipping and raw material costs are forcing retailers to rethink their pricing and assortment strategies.

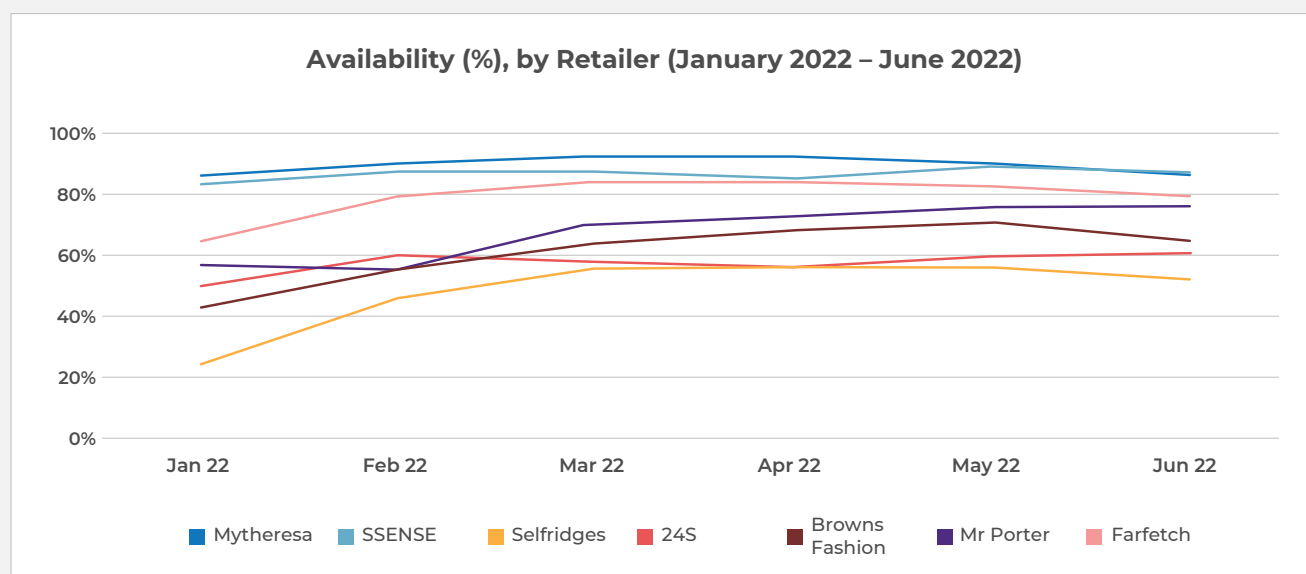
Several retailers are investing in providing a wide range of payment options to increase consumer convenience. For instance, in June 2022, [Farfetch](#) announced that it enabled cryptocurrency payments for private clients across the world, and the same will be available for all customers worldwide by late 2022.

Let's look at some of the ways retailers in the UK are adjusting their strategies to maximize profits.

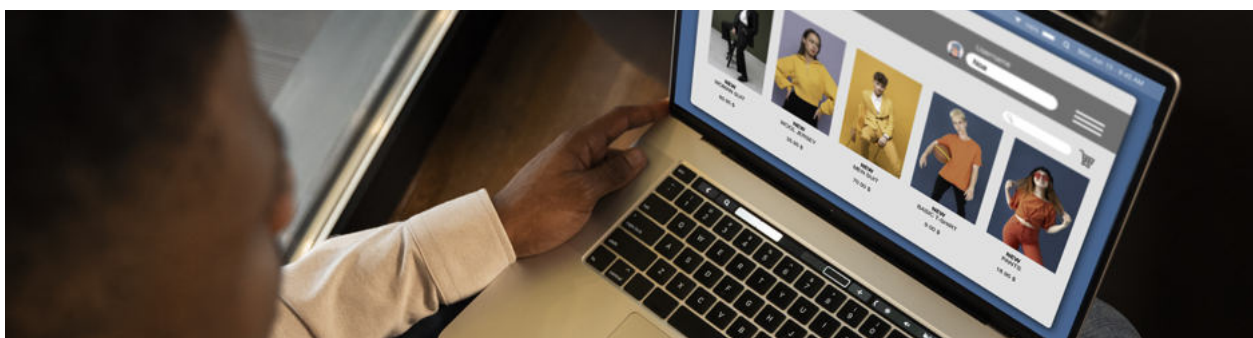
1. MAXIMIZE CONVERSIONS BY MANAGING PRODUCT AVAILABILITY

Luxury fashion brands are frequently launching new products to keep up with current trends in the market. They're selling these products both in their offline stores as well as e-commerce platforms. In this process, offering a substantial number of items in varied sizes and colours can be a tedious task. To deal with a diverse consumer base with different product preferences, availability of products is essential. The right inventory management can help fashion retailers keep up with demand as well as stay competitive.

We looked at some retailers to better understand their positioning in terms of stock availability. Of the retailers we tracked, only Flannels, Mytheresa, and SSENSE were able to consistently maintain more than 80% of stock availability from January 2022 to June 2022. Selfridges, 24S, and Browns Fashion, on the other hand, maintained less than 70% of stock availability during the same period. In order to avoid losing sales, fashion retailers need to track real-time inventory data along with consumer preference data to [maximize conversions & sales by managing their product availability](#) across multiple platforms simultaneously.



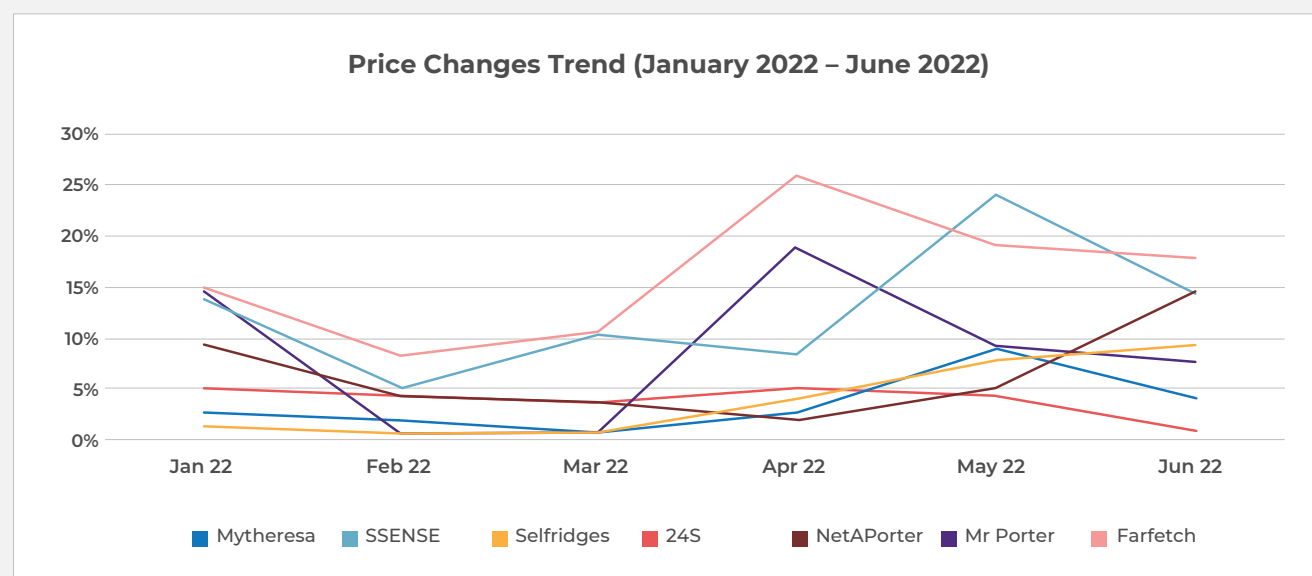
Source: DataWeave—Availability (%), by retailer (January 2022–June 2022)



2. ADJUST PRICES TO GAIN A COMPETITIVE ADVANTAGE

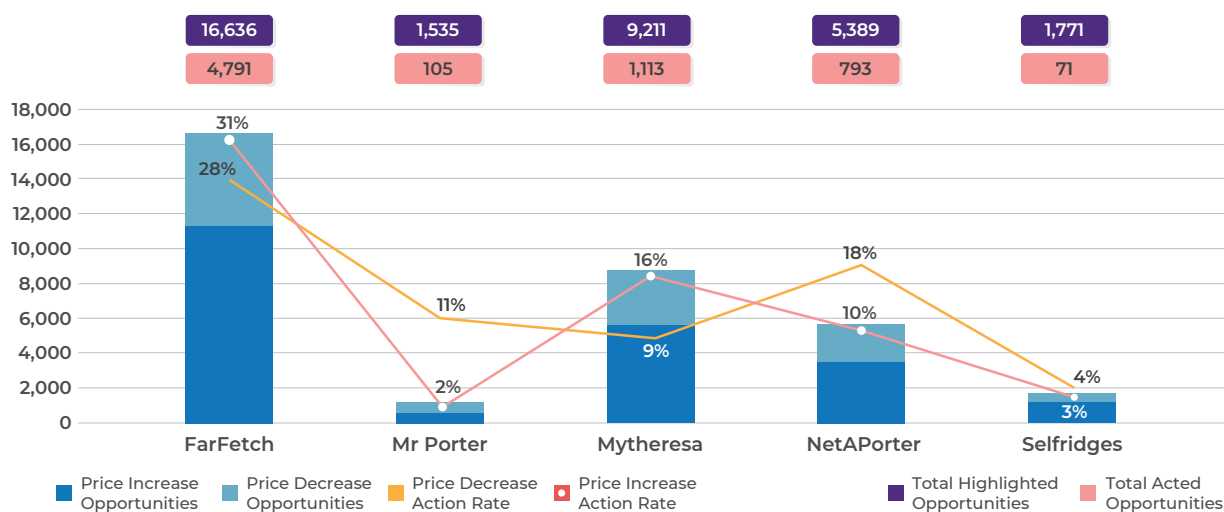
Rising inflation rates are significantly impacting economies across the world, and the UK is no exception. [The UK inflation rate](#) reached a new 40-year high of 9.1%, with a 0.7% month-on-month increase, in May 2022. With increasing commodity prices, rising shipping costs, high energy bills, and a tight labour market, costs across industries are surging, which, in turn, is forcing fashion retailers to increase prices. Many shoppers have cut their expenses on non-essential apparel items to deal with the increasing prices of essential items. According to an article published by the [British Retail Consortium](#), as shoppers reconsidered their major purchases, higher-value items such as furniture and electronics witnessed a decrease in sales volume in May 2022. While, in the same month, fashion and beauty products did not witness a reduction in sales volume.

With constantly rising prices, more than ever now, customers make more informed decisions as comparison shopping is at their fingertips. Shoppers compare prices across retailers & can consider several factors such as price, delivery speed, and discounts when buying, hence preventing them from paying extra and, in turn, improving their shopping experience. For these reasons, [retailers must keep adjusting their pricing](#) to stay competitive. To keep track of how top retailers are adapting to price changes, we tracked how they acted upon price change opportunities to stay competitive.



Source: DataWeave—Price change (%), by retailer (from January 2022 to June 2022)

According to our analysis, in total, Selfridges acted on less than 5% of price-change opportunities, while Farfetch acted on 29% of highlighted opportunities. Furthermore, below are some of the insights that describe how tackling these opportunities might impact a retailer's market position.

Action Rate, by Top Retailers (January 2022 – June 2022)

Source: DataWeave–Retailer's action rate based on highlighted opportunities (Price decrease action rate = acted opportunities/price decrease opportunities; Price increase action rate = acted opportunities/price increase opportunities)

Highlighted:

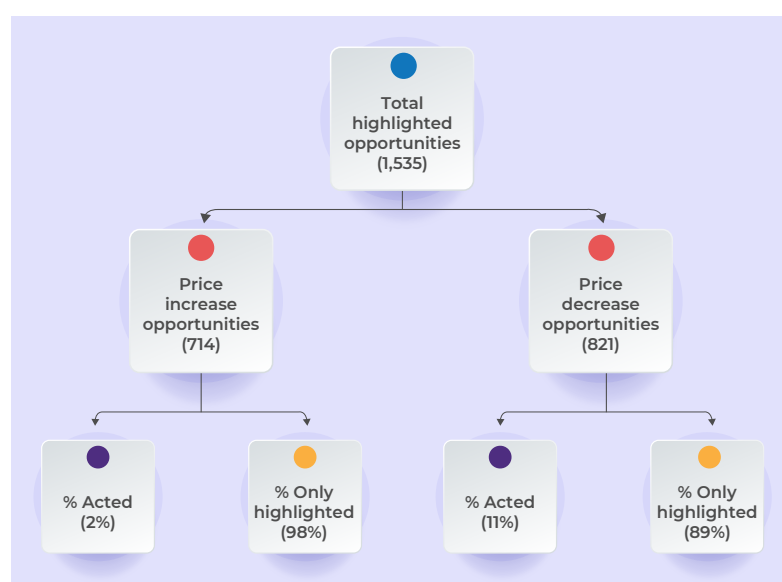
An opportunity is considered as "Highlighted" if there is a 2% or more than 2% variation between the Customer's Price and Market Minimum Price.

Acted:

An opportunity is considered as "Acted" upon if the retailer makes a price change for the product within 15 days and follows the direction of opportunity.

A BALANCE BETWEEN PRICE INCREASE AND PRICE DECREASE OPPORTUNITIES

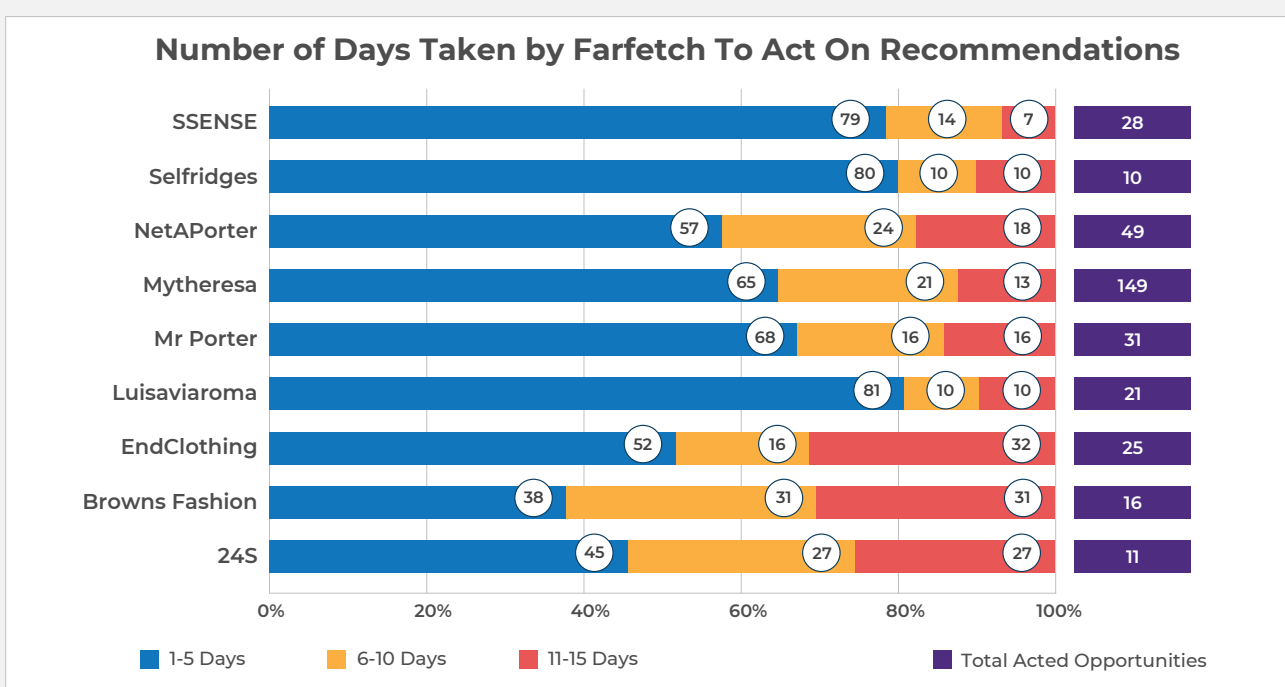
Out of 5 retailers shown in the above chart, Mr Porter's recommendation analysis depicts how important it is to balance between price increase and decrease opportunities. Mr Porter is making prices competitive by acting more on price-decrease opportunities (PDOs); however, it is failing to act on 98% of [margin-increase opportunities](#). These margin-increase opportunities could be easily captured by adjusting product prices at the right time without making any changes in promotional strategies.



PROMPT ACTION BY RETAILERS IS CRITICAL

Taking prompt action and capitalizing on a price increase or decrease opportunity, especially when pitted against a key competitor is critical. The chart below shows Farfetch's responsiveness to prices changes made by its competitors.

- A.** Farfetch seemed to be the most responsive to price changes made by Selfridges & Luisaviaroma and acted upon over 80% of price change opportunities within the first 5 days itself!
- B.** They were less reactive to End Clothing, Browns Fashion & 24S. Farfetch tweaked their prices to stay competitive, but did not aggressively mirror these other retailers. They acted on 50% or less price change opportunities within the first 5 days.
- C.** Overall, our data showed that most price change opportunities Farfetch reacted to were within the first 5 days, double clicking on the importance of staying competitive since customers are big on comparison shopping.
- D.** Bottom line - retailers can [drive more revenue & margin by pricing products right](#). And the quicker they act on changes in customer demand and their competitors' prices, the higher the chances of success.

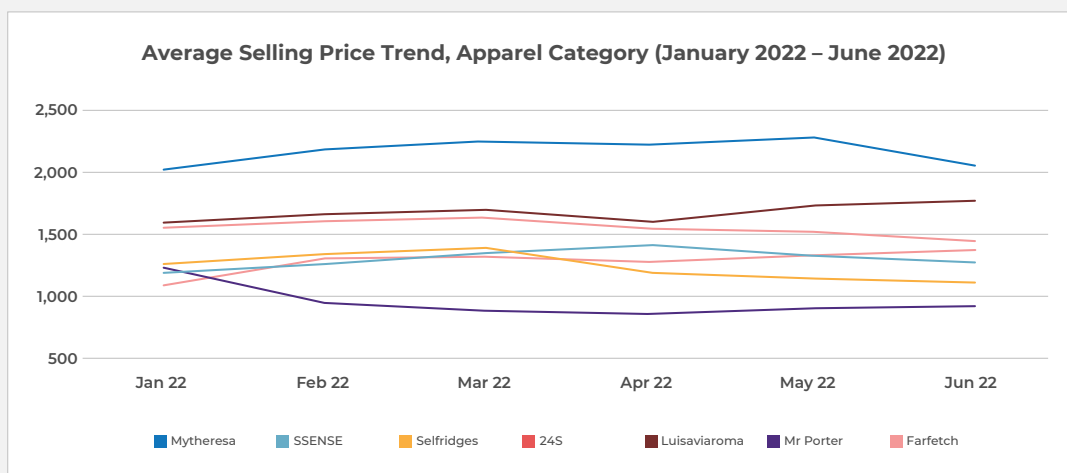


Source: DataWeave—Number of days taken by Farfetch to act on recommendations (January 2022–June 2022)



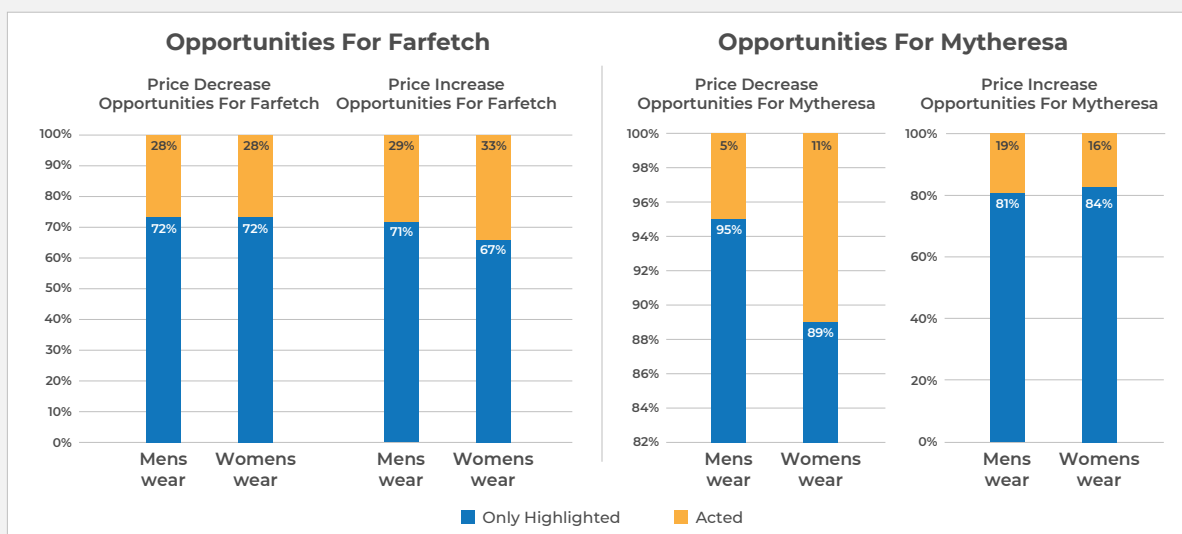
3. ALTER CATEGORY-LEVEL PRICING TO INCREASE CUSTOMER BASE

In the UK, [online retail sales in May 2022](#) declined by 8.7% year-over-year (YoY); however, clothing witnessed 14% growth during the same period in terms of sales revenue. Further, [increasing consumer spending](#) on clothing and a general preference for higher quality fashionwear is paving the way for growth opportunities for fashion retailers in the UK. These opportunities can be grabbed by retailers by increasing their inventory levels for high-demand categories as well as adjusting their Average Selling Price (ASP) to stay competitive. For instance, based on market conditions, except for 24S and Luisaviaroma, all the retailers we tracked slightly decreased their ASPs in the apparel category in June 2022 to remain competitive and expand their consumer base.



Source: DataWeave-Average selling price trend for apparel category (January 2022-June 2022)

As the clothing category is expanding, we tracked how retailers are acting on the highlighted price-change opportunities at a category-level. In the menswear category, Farfetch acted on 28% of price-decrease opportunities, while Mytheresa acted on only 5%. Further, in the womenswear category, Farfetch acted on around 33% of price-increase opportunities, while Mytheresa acted on only 16%. To drive more revenue & margins it is [critical for retailers to price their products right](#).



Source: Recommendations analysis by category

THE WAY AHEAD FOR RETAILERS

The right assortment & the right approach to tweaking pricing to stay competitive is key to standing out among e-commerce retailers and the competition. To gain maximum competitive advantage, retailers should track category-wise price fluctuations in the market and correspondingly make prompt changes. They should leverage price-increase opportunities at the right time and balance that with giving discounts and offers where needed. In conclusion, in addition to a top-of-the-line assortment & product catalogue, a proactive retailer that capitalizes on right price decrease and price increase opportunities at the right time has the best chance of staying ahead in the e-commerce race.



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.

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