



In Womenswear, Price Resistance Is Increasing

- 1) Fung Global Retail & Technology and First Insight conducted an analysis that found there is a persistent and significant gap between the planned manufacturers' suggested retail prices (MSRPs) of womenswear products tested by First Insight and the prices consumers are willing to pay for them. On average, across all womenswear categories tested between January 2013 and June 2016, consumers were willing to pay only 76% of full price. Consumers not seeing the value at full price is a key driver of the markdown challenge that has been plaguing retailers and brands.
- 2) Over the three and a half years ended June 2016, tested MSRPs of women's tops and bottoms fell by 14% and 13%, respectively. The prices that consumers were willing to pay in these core women's categories also declined over the period, to only 74%–79% of planned MSRPs.
- 3) Due to the growth of athleisurewear and the casualization of womenswear, consumers are showing less price resistance in some subcategories. For example, consumers were willing to pay 82% of planned MSRPs for knit bottoms tested by First Insight, even though planned MSRPs increased significantly over the period.
- 4) Footwear consumers have been increasingly unwilling to pay the higher prices set by retailers and brands. As of June 2016, consumers were willing to pay only 74% of retailers' asking prices for footwear.
- 5) We expect to see continued category growth in athleisure and footwear, and an overall emphasis on incorporating performance technologies into workwear and streetwear.

Fung Global Retail & Technology and First Insight partnered to analyze a data set from tests performed on women's apparel and accessories products. First Insight performed the consumer tests between January 2013 and June 2016 in 11 countries: the US, France, Italy, Germany, Great Britain, Spain, Poland, Mexico, the Netherlands, Canada and China.

First Insight was founded in 2007 and is a cloud-based technology company that tests products on the market across many categories. The company uses predictive analytics to determine which products, price points and design attributes will perform in the market and resonate with consumers.

First Insight and Fung Global Retail & Technology analyzed a set of data on more than 57,000 women's apparel and accessories items in 10 categories that had been tested with consumers. Our analysis revealed that MSRPs are trending downward in core womenswear categories, but upward in noncore categories.

We found that there is a persistent and significant gap between the planned MSRPs tested and the prices consumers are willing to pay, that consumers are more willing to accept price growth in athleisurewear and activewear than in other categories, and that consumers are unwilling to pay top dollar for footwear.

Between January 2013 and June 2016, First Insight tested consumers' reactions in 11 countries to more than 57,000 apparel and accessories items in 10 womenswear categories.



Source: Shutterstock

1. Gap Between Planned MSRPs and Prices Consumers Were Willing to Pay Widened in Seven of 10 Categories Tested

From January 2013 through June 2016, the prices consumers were willing to pay were lower than the planned retail ticket price (MSRP) across the 10 womenswear categories in First Insight's testing portfolio.

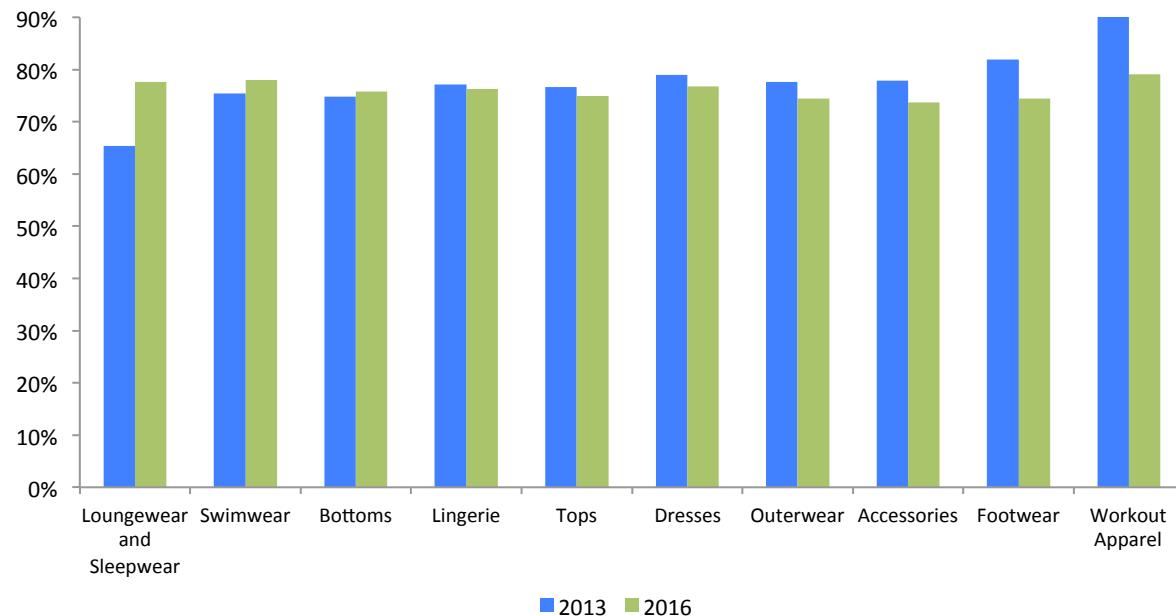
The gap between planned MSRP and predicted AUR widened in seven out of 10 categories tested. Overall, consumers were willing to pay only 76% of planned MSRPs in 2016 testing.

First Insight's predictive analytics yields a forecasted average unit retail (AUR) price for lifecycle of each item tested, which, when compared with the planned MSRP, provides a predictor of product success in the market. This predictor is highly correlated to actual selling prices. A low predicted AUR price relative to planned MSRP indicates decreased consumer acceptance of the planned selling price.

In simple terms, First Insight data reveals that retailers' proposed selling prices decreased in seven out of 10 womenswear categories tested over the past three and a half years.

When tested, the prices that consumers were willing to pay were 65% to 93% of retailers' asking prices, on average, across all categories tested. The gap between MSRPs and the prices consumers were willing to pay narrowed in lounge and sleepwear, swimwear and bottoms, but widened in the other seven categories. This overall trend aligns with the increasingly promotional nature of retail, the impact of multi-channel selling, and off-price retail and fast-fashion retail.

Figure 1. Percentage of Retailers' Asking Price Consumers Were Willing to Pay in 10 Major Categories, 2013 vs. 1H16



Source: First Insight

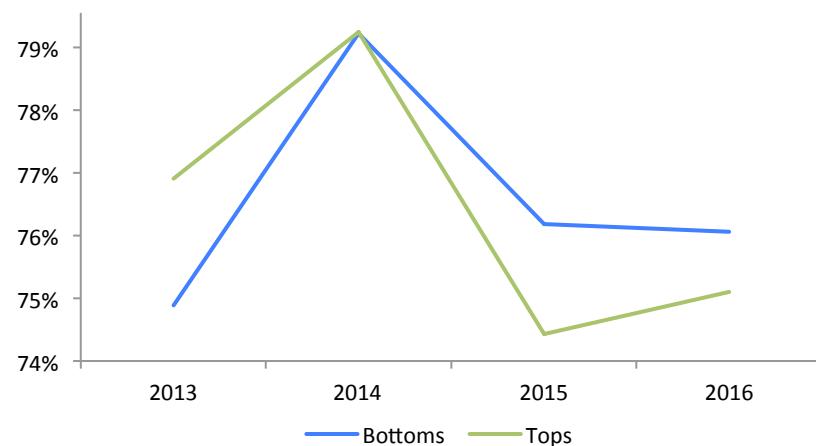
Both planned MSRPs and predicted AUR prices are trending downward for core tops and bottoms categories, with consumers willing to pay only 74%–79% of the planned asking prices.

2. Planned MSRPs and Prices Consumers Were Willing to Pay Trended Downward in Core Categories of Tops and Bottoms

Between January 2013 and June 2016, tested MSRPs of women's tops and bottoms in First Insight's test set fell by 14% and 13%, respectively. In the core tops and bottoms categories, the test prices declined along with the prices that consumers were willing to pay.

Our analysis identified a persistent gap between the average test price and predicted AUR price in core tops and bottoms categories, with consumers willing to pay only 74%–79% of the planned MSRP over the period, as shown in the graph below. This means that a First Insight consumer would be willing to pay only \$22–\$24 for a top priced at \$30, for example. This gap is evidenced by the continued markdown challenges that retailers and brands face. The predictive analysis from this First Insight data set suggests that if the retailer went to market with the top priced at \$30, that top may have a higher likelihood of being marked down due to increased consumer price resistance.

Figure 2. Percentage of Retailers' Asking Prices Consumers Were Willing to Pay in Tops and Bottoms, Jan 2013–Jun 2016



Source: First Insight

In a July 2016 Euromonitor International survey, 74% of Americans polled said that they loved to find bargains, which is not surprising. Consumers are increasingly seeking value in every aspect of their lives. As shown below, over the past five years, seven of the 20 fastest-growing brands across all retail channels are value-oriented brands.

Figure 3. Seven of the 20 Fastest-Growing Brands According to Sales Growth, 2010–2015

Brand	% Change
Walmart Neighborhood Market	236%
Nordstrom Rack	111%
HomeGoods	82%
Ashley Furniture	70%
rue 21	70%
Dollar General	58%
Forever 21	56%

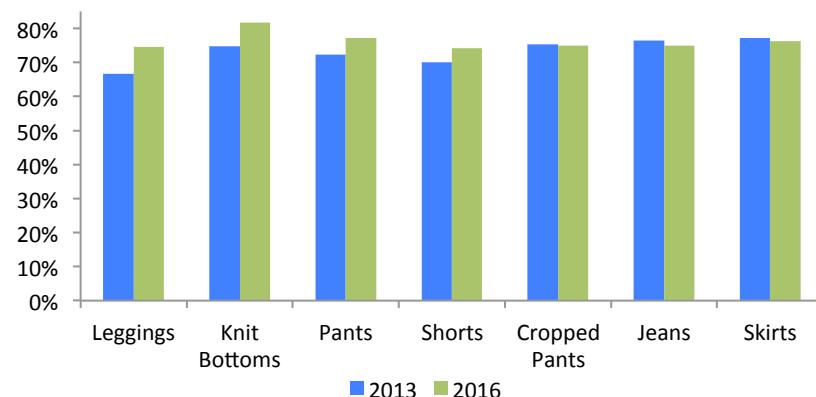
Source: Euromonitor International

3. Acceptance of Pricing Growth in Bottoms Driven by Athleisure

Although pricing is trending down in the bottoms category, with consumers willing to pay only 76% of the asking price on average, athleisurewear is a standout subcategory that has shown strong growth in both planned MSRP and consumers' willingness to pay. Knit bottoms and leggings were the two strongest categories of price acceptance within bottoms. Customers were willing to pay 74% of the MSRP for leggings as of June 2016, an increase of 12% from January 2013. And they were willing to pay 82% of MSRP for knit bottoms, a 9% increase over the period. The knit bottoms subcategory (largely made up of athleisure/athleticwear) saw significant price increases over the period included in the data set, and consumers were willing to pay the increased prices.

As shown below, four out of seven key subcategories—leggings, knit bottoms, pants and shorts—saw increased MSRP acceptance over the period. Consumers' willingness to pay full price for items in the three remaining subcategories—cropped pants, jeans and skirts—trended flat to slightly down.

Figure 4. Percentage of Retailers' Asking Prices Consumers Were Willing to Pay in Bottoms Subcategories, 2013 vs. 1H16



Knit bottoms, largely composed of athleisure/athleticwear, experienced increases in both MSRPs and consumers' willingness to pay those prices.

Consumers were willing to pay higher prices for athleisure over the test period; they were willing to pay 82% of asking price for knit bottoms and 74% of asking price for leggings.

Source: First Insight

The rise of athleisure has helped support the growth of womenswear sales. In 2015, women's leggings recorded the strongest current value growth, of 9%.

Sales growth in performance footwear, performance apparel and sports-inspired apparel is expected to outpace growth in womenswear overall through 2020.

A Slice Intelligence report found that online purchases of leggings were up 41% in 2016 compared with a 3% increase in orders of jeans. According to Euromonitor, the rise of athleisure has helped to support the growth of womenswear sales, and women's leggings recorded the strongest current sales growth, of 9%, in 2015. Lululemon Athletica grew sales by 369% and Athleta grew sales by 95% over the 2010–2015 period. Sportswear brands Nike, Adidas and Under Armour all saw double-digit sales growth in 2015.

Even non-sports apparel brands are showing an interest in the women's sportswear category, with fast-fashion brands H&M and Forever 21 launching sports clothing and footwear. Topshop announced a partnership with Beyoncé to launch a sportswear line, and luxury brands including Tory Burch, Cynthia Rowley and Rebecca Minkoff launched sportswear collections in 2015. Euromonitor forecasts that the global sportswear and comfortable-dressing trends will continue to influence consumers' purchasing decisions. The firm expects sports apparel and footwear sales to grow by \$63 billion by 2020.

Figure 5. Forecast Apparel and Footwear Category Growth (YoY % Change), 2016–2020

	2016	2017	2018	2019	2020
Performance Footwear	8%	8%	7%	7%	7%
Sport-inspired Footwear	7%	7%	6%	6%	6%
Woman's Footwear	4%	5%	5%	5%	5%
Performance Apparel	5%	5%	5%	5%	5%
Men's Footwear	5%	5%	4%	4%	4%
Children's Footwear	5%	5%	5%	5%	5%
Childrenswear	5%	5%	5%	5%	5%
Sport-inspired Apparel	5%	5%	5%	5%	5%
Outdoor Footwear	5%	5%	5%	5%	5%
Womenswear	3%	3%	3%	3%	3%
Outdoor Apparel	4%	5%	4%	4%	4%
Menswear	3%	3%	3%	3%	3%
Apparel Accessories	3%	3%	3%	3%	3%
Hosiery	2%	2%	2%	2%	1%



Source: Euromonitor International

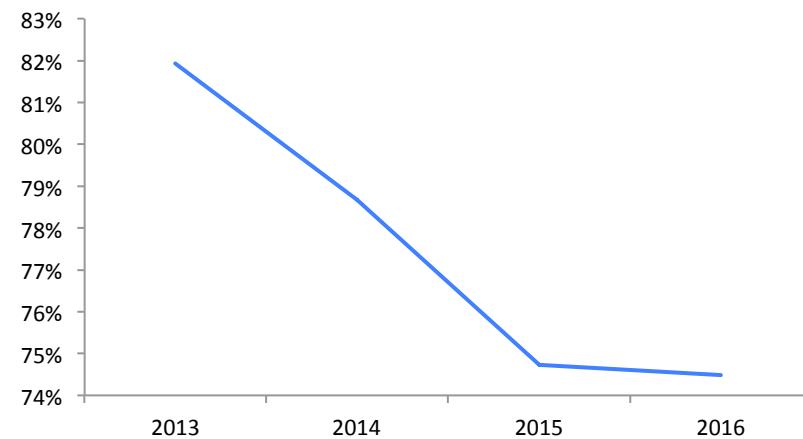
First Insight and Fung Global Retail & Technology predict that women's activewear will continue to drive apparel sales, particularly as companies are investing in fabrics and technologies that are multifunctional. The distinction between workwear and leisurewear is blurring, and there is opportunity to continue to grow category sales by integrating workwear and streetwear.

4. Footwear Prices Were Up, but Consumers Were Unwilling to Pay Top Dollar

The average price of footwear in First Insight's test portfolio increased significantly between January 2013 and June 2016, but, as shown below, consumers' willingness to pay the proposed prices declined steeply.

Figure 6. Percentage of Retailers' Asking Prices Consumers Were Willing to Pay in Footwear, 2013–2016

Wholesale companies are increasingly seeking consumer input on the front end as they look to reduce the costs associated with creating shoe samples.



Source: First Insight

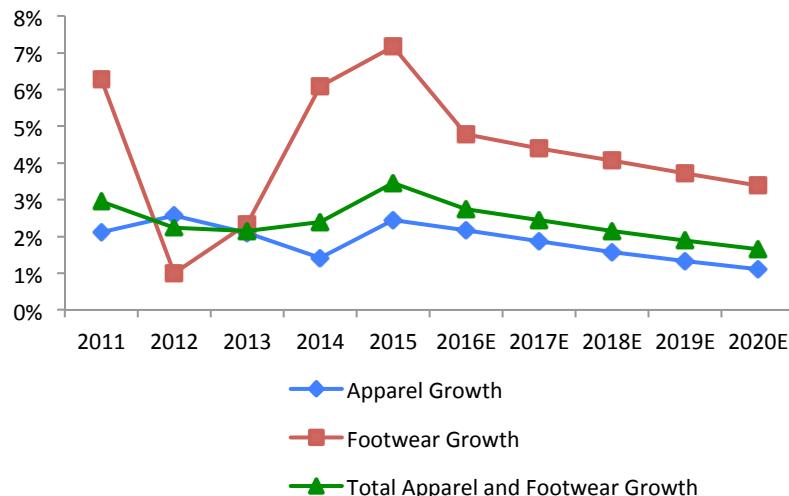
In 2013, consumers were willing to pay 82% of planned MSRPs for footwear. This declined to 74% by June 2016, suggesting that consumers are not willing to pay the higher prices that footwear retailers are proposing.

The proportion of footwear items in this First Insight data set increased significantly from January 2013 through June 2016. The cost of creating shoe prototypes and samples is extremely high, so obtaining consumer feedback on the front end is increasingly a priority for footwear designers and manufacturers. Digital prototyping and digital design technology are positively impacting the footwear industry by reducing the costs required to produce samples, including the associated labor and materials costs. Companies such as Nike, Adidas and Under Armour are implementing digital prototyping and, so, dramatically shortening the shoe design process. Footwear wholesalers are also increasingly seeking consumer-driven data to inform their line recommendations to key retailers.

The increase in footwear testing seen by First Insight is consistent with Euromonitor's data. As shown below, US footwear sales growth is outpacing apparel sales growth and is expected to continue to do so through 2020. In 2015, footwear sales totaled \$76.1 billion and accounted

for 25% of total apparel sales. In 2020, Euromonitor expects footwear's share of apparel sales to increase to 30%, and reach \$92.9 billion.

Figure 7. Apparel and Footwear Sales, YoY % Change (USD Mil.)

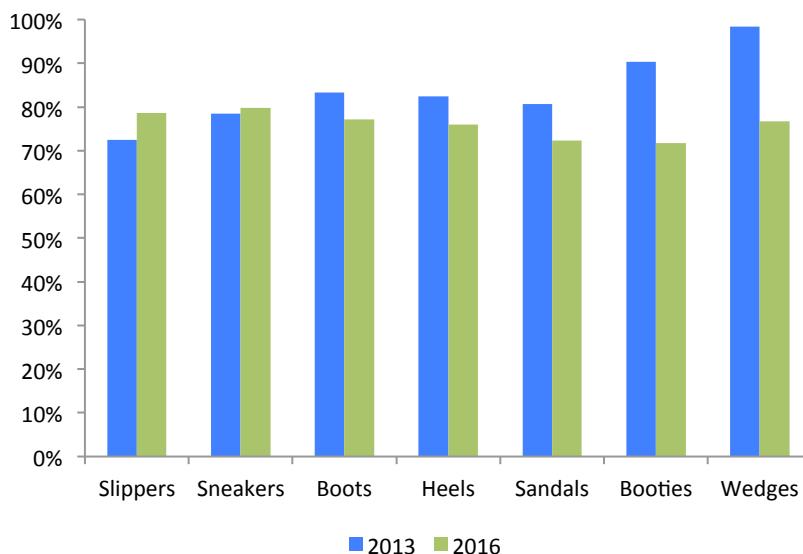


Source: Euromonitor International

Footwear sales growth has outpaced apparel sales growth in recent years, and Euromonitor International expects footwear to continue to grow at 4% on average through 2020.

From January 2013 through June 2016, the footwear price increases in First Insight's data set were accepted by consumers in the slippers and sneakers subcategories, but consumers were resistant to the price increases in the five other footwear subcategories: boots, heels, sandals, booties and wedges. The biggest growth in price resistance was seen in wedges and booties, up 22% and 21%, respectively.

Figure 8. Percentage of Retailers' Asking Price Consumers Were Willing to Pay in Footwear Subcategories, Jan 2013 vs. Jun 2016



Source: First Insight

The market for premium-priced footwear is competitive, and the athletic and comfort footwear market is growing. According to Euromonitor, in 2015, global footwear sales grew by 6%, while apparel sales grew by 4%. The footwear market continues to be influenced by athleisure, as comfort is taking precedence. We expect footwear growth to continue to be influenced by performance brands and consumers' desire for comfort.

Conclusion

An analysis of First Insight product test data shows that consumers' willingness to pay full price is decreasing overall and in seven out of 10 womenswear categories. The prices that consumers were willing to pay in women's tops and bottoms declined from January 2013 through June 2016, with consumers willing to pay only 74%–79% of planned MSRPs across the period. Due to the growth of athleisurewear and the casualization of womenswear, prices and price acceptance in some subcategories within bottoms have increased.

The footwear category grew over the past three years; wholesalers are gaining customer feedback early in the process. We expect to see continued category growth in athleisure and footwear, and an overall emphasis on incorporating performance technologies into workwear and streetwear, with a focus on comfort.



Source: Shutterstock



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