Orion Strategy

TIMESERIES

RETAIL CLOTHING ANALYSIS

1992-2020

OVERVIEW
OF US CLOTHING RETAIL SALES

The clothing retail industry in the U.S. has experienced significant fluctuations over the past three decades. Starting in 1992, the sector saw a slight increase in sales, followed by a decline until 1995. Annual total sales didn't see any major fluctuations over the next four years to follow. 2000 saw a slight increase in the sales however, the growth lacked continuity in the subsequent years.

From 2002, the industry entered a phase of steady growth with a Compound Annual Growth Rate (CAGR) of 4.51% between 2002 and 2007. By 2007, the industry reached a historic high, becoming a $49 billion market. This growth reflected rising disposable income and consumer spending during the prerecession economic boom.

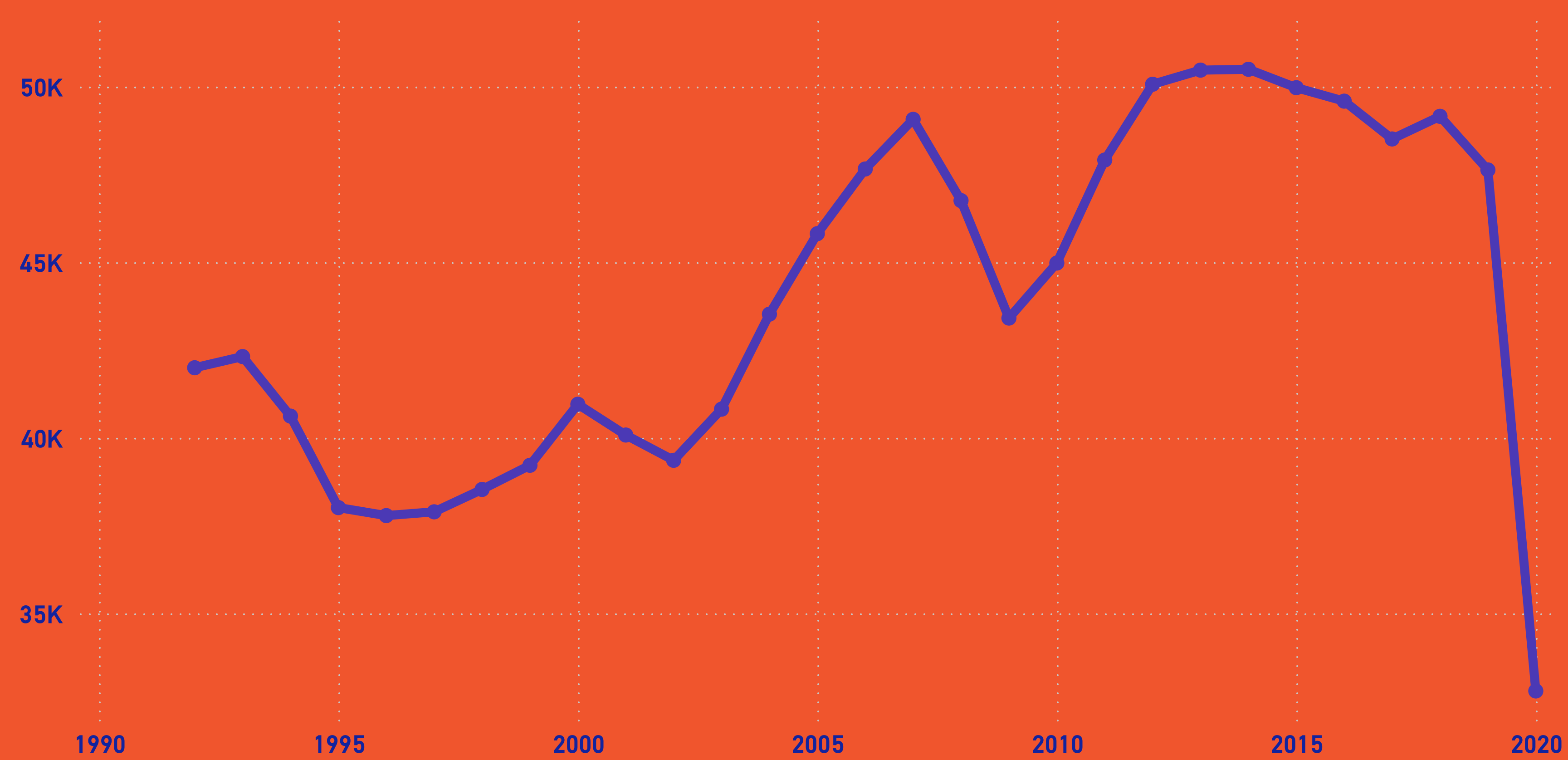
The global recession in 2008 dealt a severe blow, with annual sales declining at Year-over-Year (YoY) growth rates of -9.4% in 2008 and -18.06% in 2009. This downturn was due to the reduced consumer confidence and spending. However, the sales rebounded by 2012, the industry surpassed its 2007 peak, reaching $50 billion with an Average Annual Growth Rate (AAGR) of 5.10% over three years (2009-2012). After 2012, the market maintained a relatively stable trajectory, only to experience a steep decline in 2020 due to the COVID-19 pandemic, with a YoY drop of -72.64%, reflecting the sharp contraction in retail activity due to lockdown and global supply chain disruptions.

Category

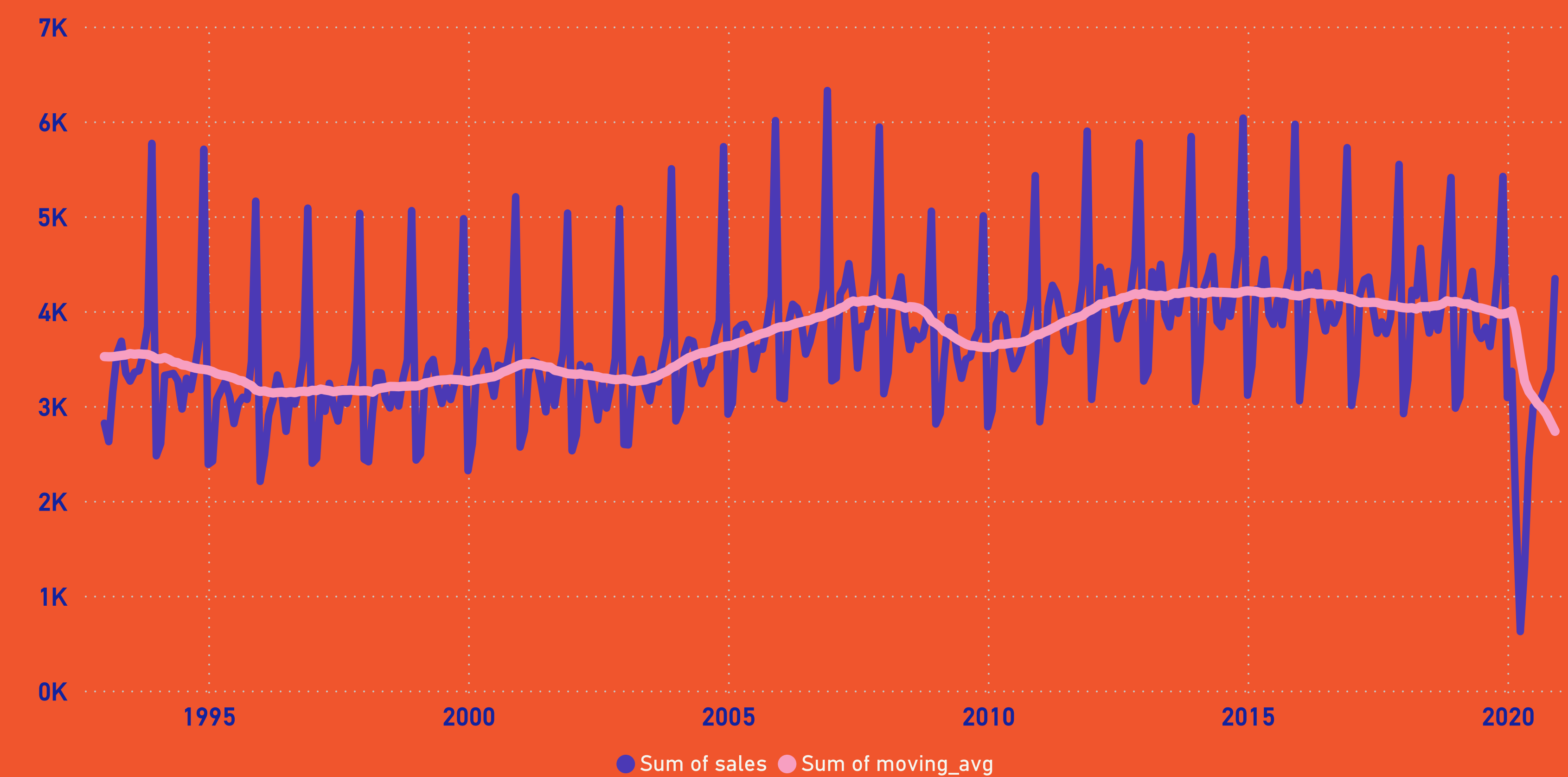
- [ ] Men's clothing stores
- [ ] Women's clothing stores

01-01-1993 01-12-2020

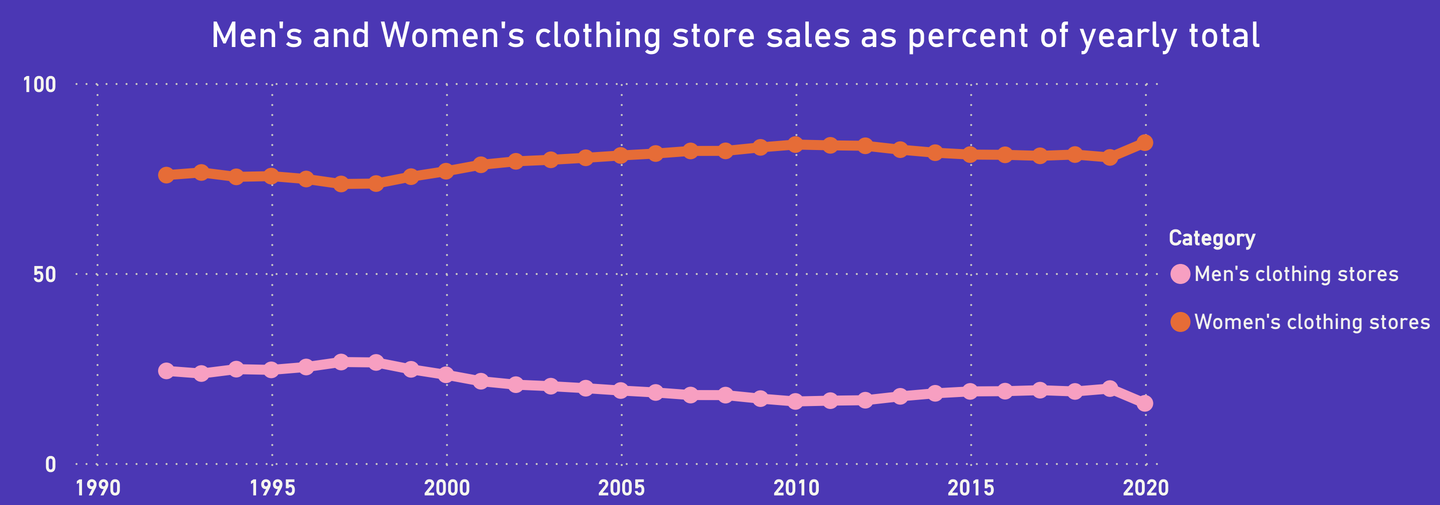
Trend of yearly women's and men's clothing retail sales



Monthly sales and 12-month moving average sales for clothing retail



MEN'S & WOMEN'S CLOTHING RETAIL SALES



Market Share Dynamics

Men's and women's clothing trends differ significantly. Historically, women's clothing has dominated the market, holding an 80:20 ratio from 1992 to 1997. This shifted briefly to 70:30 in 1998 but reverted to 80:20 soon after. Women's dominance reflects higher expenditure on fashion compared to men, this can be studied further form a socio-economic standpoint.

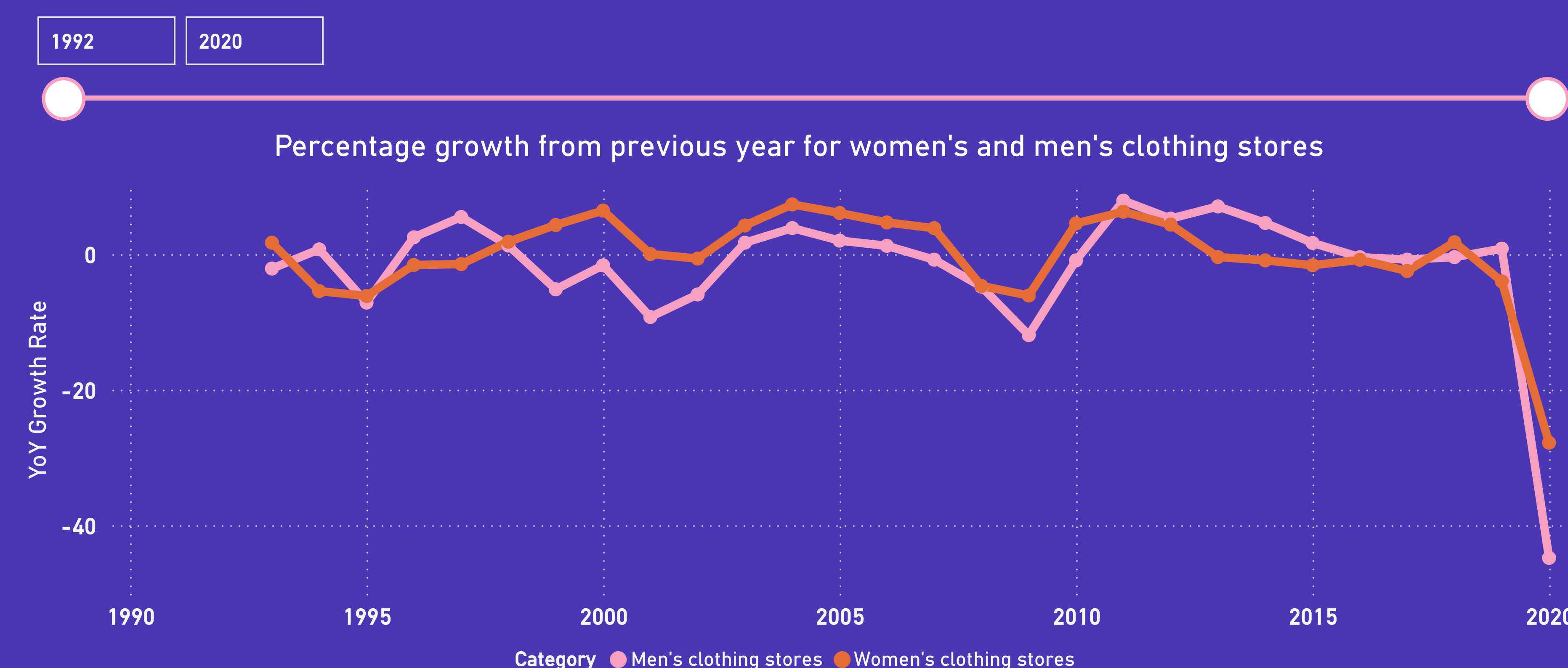
Over time, women's growth rates have decelerated, while men's have gained momentum. From 2009 to 2019, the AAGR for men's clothing was 2.68%, compared to 0.62% for women's clothing. However, from 1998 to 2008, women's clothing grew at 3.56% annually, while men's saw a decline of -1.81%.

Impact of Economic Downturns

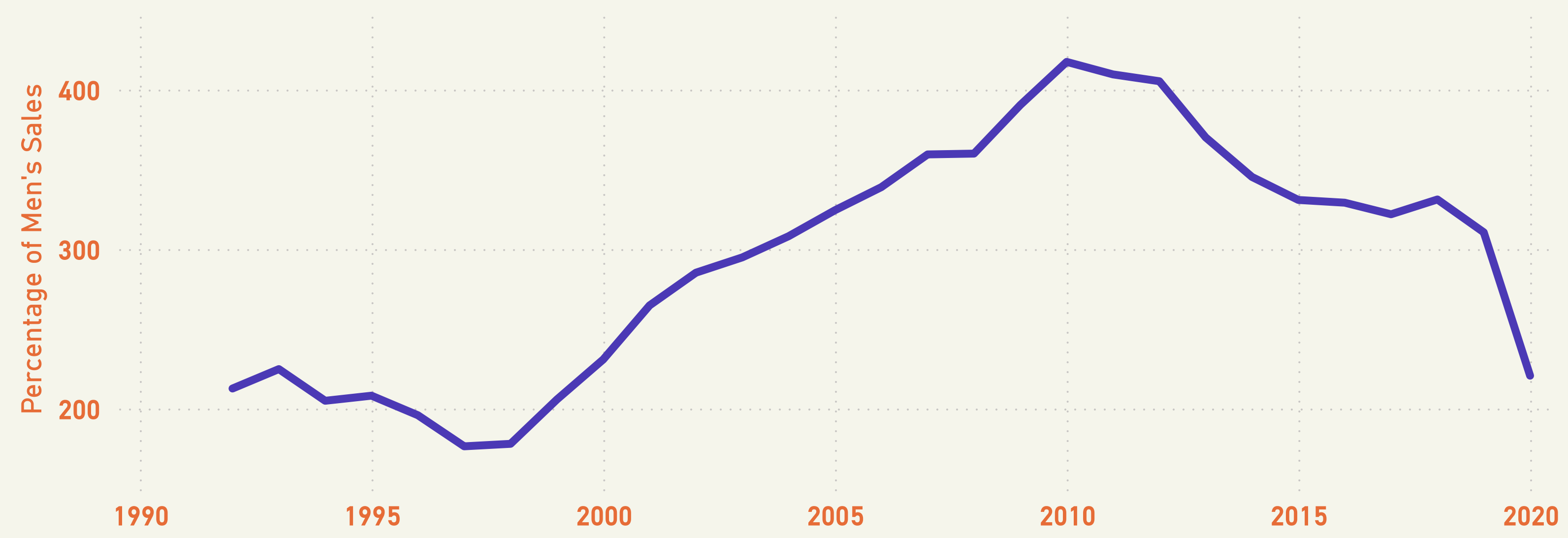
Economic slowdowns have impacted men's and women's clothing segments differently. During the 2008 recession, both segments experienced similar declines, with year-over-year (YoY) sales falling by -4.8% for men's clothing and -4.7% for women's clothing. However, in 2009, the declines were more pronounced, with men's clothing sales dropping by -11.95% and women's by -6.11%. The 2020 pandemic brought a sharper contrast, as men's clothing experienced a significant YoY decline of -44.82%, compared to a lesser but still substantial -27.82% decline for women's clothing.

Recovery trends following these downturns also diverged. After the 2008 recession, women's clothing rebounded more quickly, achieving a 4.5% YoY growth the following year, while men's clothing sales continued to decline. However, starting in 2011, men's clothing consistently outpaced women's in YoY growth rates, driven by shifting consumer preferences, such as increased demand for casual and activewear among men. For example, in 2013, men's clothing saw a growth rate of 7%, while women's clothing experienced a slight decline of -0.43%.

By 2018, men's clothing had managed to reduce negative growth, achieving a positive YoY growth rate by 2019, just before the pandemic disrupted progress. In contrast, women's clothing showed growth earlier in 2018 but began to face declines starting in 2019, marking another divergence in performance between the two segments.



Women's clothing sales as men's clothing sales



From 1998 to 2010, the percentage of women's clothing sales relative to men's increased steadily. However, this gap began narrowing from 2011 to 2017 due to rising men's sales and declining women's sales.

SEASONALITY
IN CLOTHING RETAIL SALES

Clothing sales exhibit seasonal patterns. January and February typically see the lowest sales, followed by growth in March and April as spring collections launch. May experiences the first peak due to seasonal demand. The back-to-school season in August drives a modest rise, while Q4 (October to December) sees the highest peaks due to fall/winter collections and holiday shopping. These trends highlight the industry's reliance on seasonality and promotional cycles.

Economic Sensitivity
Clothing is a price-elastic good, making it highly susceptible to economic disruptions. Recessions and the pandemic curtailed demand, particularly for discretionary categories like formal wear.

Shift in Consumer Behavior
The rise of e-commerce has transformed the retail landscape, with consumers favoring online platforms for their convenience and variety, shifting demand away from traditional retail stores.

Preference for Casual and Activewear
Changing lifestyles and the influence of social media may have driven higher demand in men's.

These dynamics highlight the industry's vulnerability to external shocks and the ongoing evolution in consumer preferences, presenting opportunities for innovation and adaptation.

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Percentage growth rate from previous month for women's and men's clothing