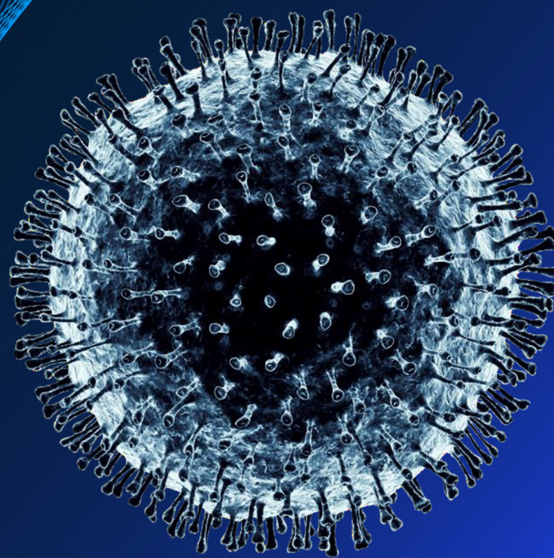
McKinsey & Company

Consumer sentiment on sustainability and fashion in the COVID crisis

Consumer Research - Germany

May 2020

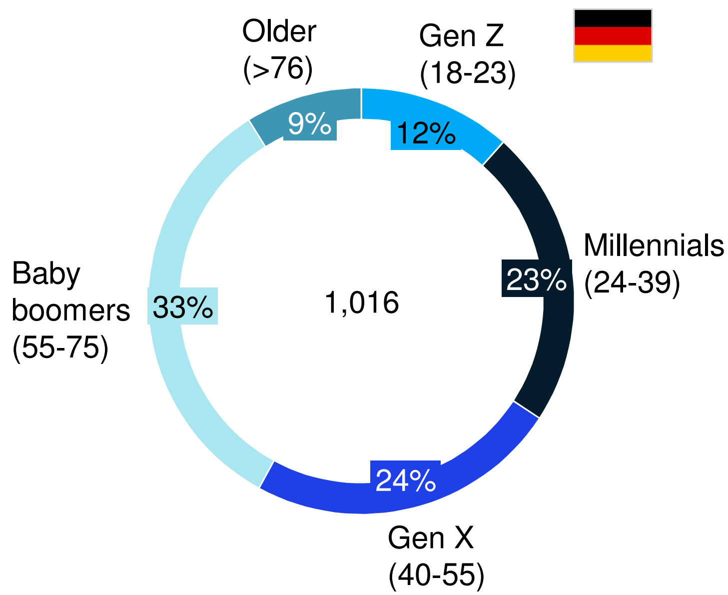


The survey assesses consumer attitudes towards sustainability and apparel during COVID-19 crisis

The survey was conducted by McKinsey between 14-22 April 2020, across 1016 German consumers, aged over 18, who have bought apparel / footwear in the last 6 months

14-22 April 2020 n=1016

Generational representation



Gender representation

50:50

Executive summary

There is a deepened engagement with sustainability among consumers as a result of the COVID-19 crisis

- 2/3rd of consumers state that it has become even more **important to limit impacts on climate change**, while ~90%% of consumers believe that pollution needs to be reduced further
- As a result, consumers have already **taken actions towards more sustainable behaviours**, such as significant lifestyle changes, starting recycle and purchasing products with environmentally friendly packaging

This represents an opportunity for AF&L brands to re-iterate their sustainability commitments and build trust with consumers during this period

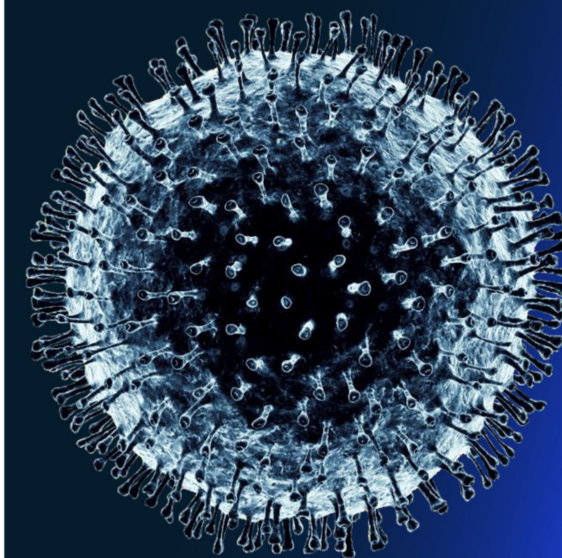
- 3/4th of consumers are sticking with the brands they know, highlighting the importance of **trust and transparency during crisis**
- As a result, brand reputation with regards to sustainability has also become a key factor in purchase decisions, highlighting the need for brands to **maintain their sustainability commitments** despite the crisis
- As a high priority, consumers expect brands to **take care of own employees** as well as **workers in Asia** during the COVID-19 crisis

Brands could shape their capabilities and assortments to address the permanent consumer behaviour shifts in the next normal, following the crisis

- Over 50% of consumers are **spending less on fashion**, with millennial consumer segments particularly **trading down** in their purchases
- COVID-19 has recruited **new consumers to online channels** and the shift is unlikely to reverse as ~20% of consumers expect to **buy less at physical stores**, particularly true with Millennial and Gen Z consumers

Consumer sentiment suggests the crisis could be a reset opportunity towards less seasonality and scaling of circular business models

- Consumers cite "newness" as one of the least important attributes when making purchases ~50% of consumers are **supportive of fashion brands delaying the launch of new collections**
- Overall, consumers are planning to **purchase more durable** fashion items and are open to **repairing** and **keeping items for longer;** there is also a greater interest among younger demographics to **purchase 2nd hand items**

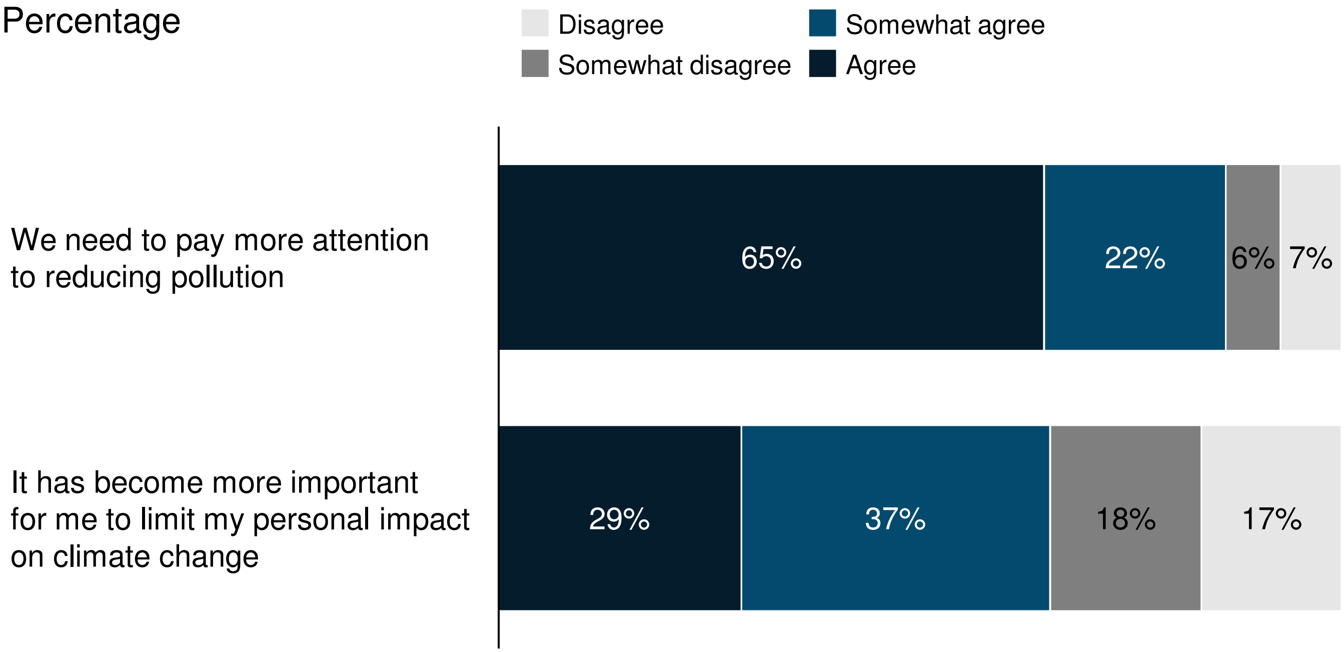


Contents

Consumer engagement on sustainability topics has deepened during COVID -19

"Thinking about your habits and attitudes over the last several weeks compared to prior to the COVID-19 crisis, to what extent do you agree with the following statements?"

Percentage



87%

of consumers believe that pollution needs to be reduced further

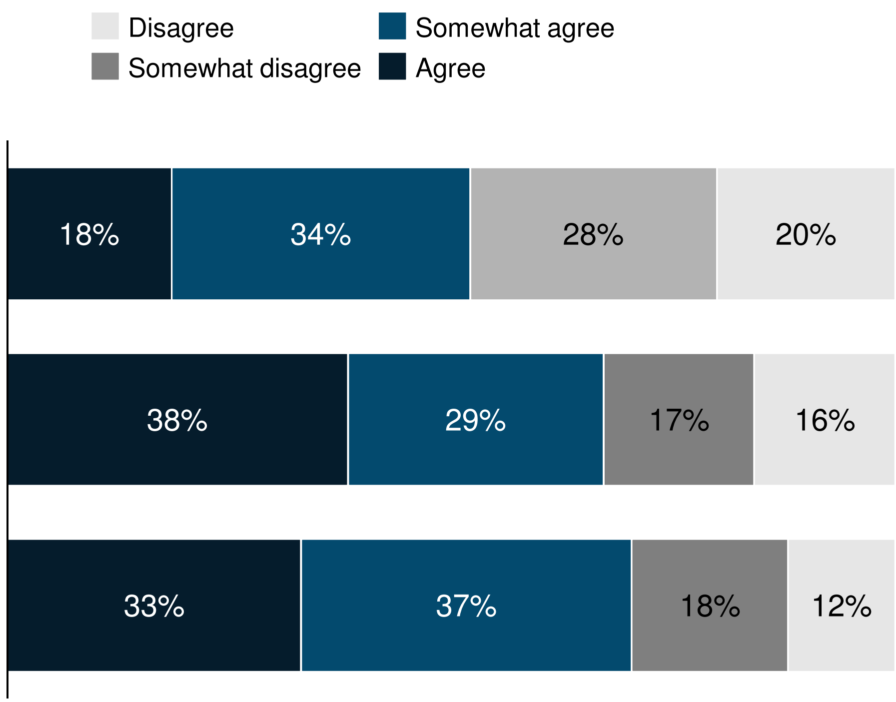
2/3rd

of consumers state that it has become even more important to them to limit impacts on climate change

As a result, consumers have already changed behaviours towards sustainability goals

“Thinking about your habits and attitudes over the last several weeks compared to prior to the COVID-19 crisis, to what extent do you agree with the following statements?”

Percentage



52%

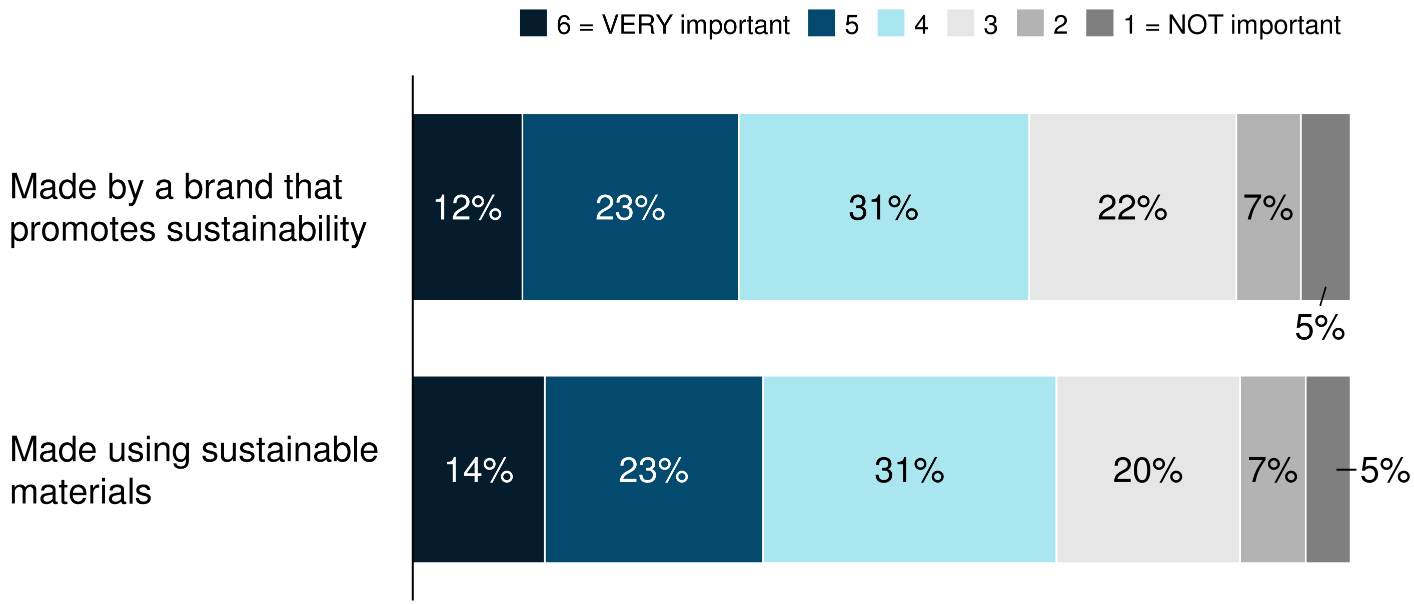
of consumers have made significant changes to their lifestyle to lessen the impact on the environment

>2/3rd

of consumers have proceeded to recycle and purchase products in environmentally friendly packaging

Brand attitude towards sustainability is a key factor in purchase decisions, highlighting the need to maintain sustainability commitments

"How important are the following factors to you when selecting which fashion brand to buy from?" Percentage



66%

of consumers consider brand's promotion of sustainability as an important purchasing factor

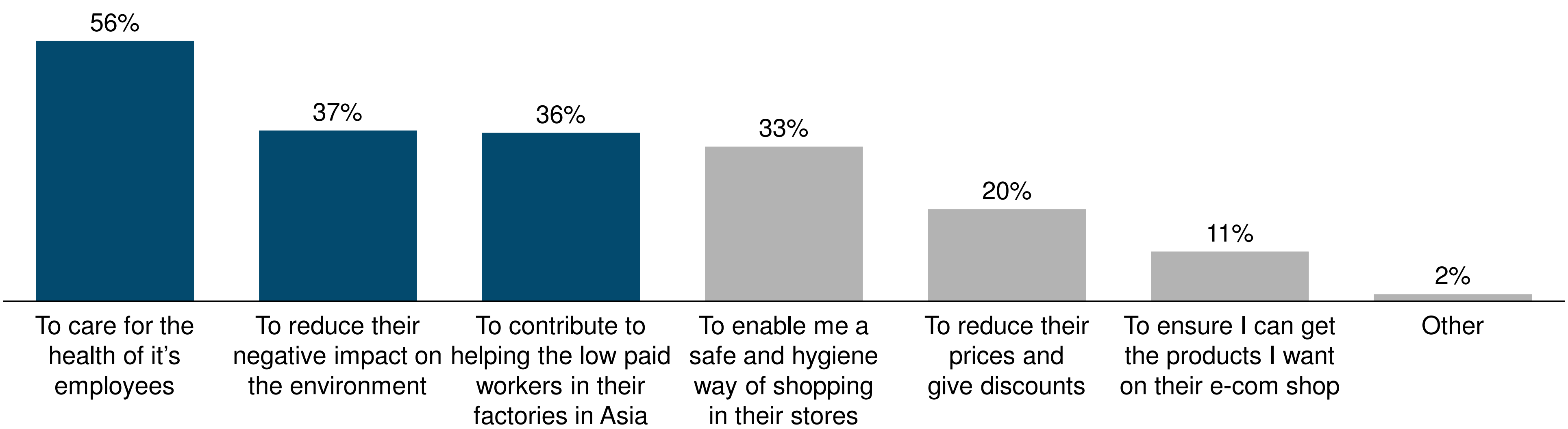
68%

of consumers consider the use of sustainable materials as an important factor when it comes to purchase decisions

Consumer expectations of brands are dominated by social and environmental responsibilities

"How can fashion brands help the society to deal with the COVID-19 impact?"

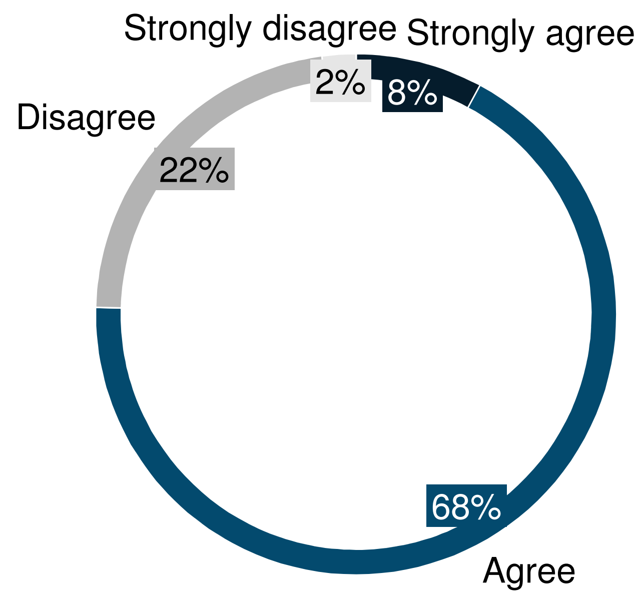
Percentage of consumers selecting actions as a top 2 priority



3/4th of consumers are sticking with the brands they know, highlighting the importance of trust and transparency during crisis

"Thinking about your habits and attitudes over the last several weeks compared to prior to the COVID-19 crisis, to what extent do you agree with the following statements?" Percentage

I stuck to brands I know well (rather than experimenting with new ones)



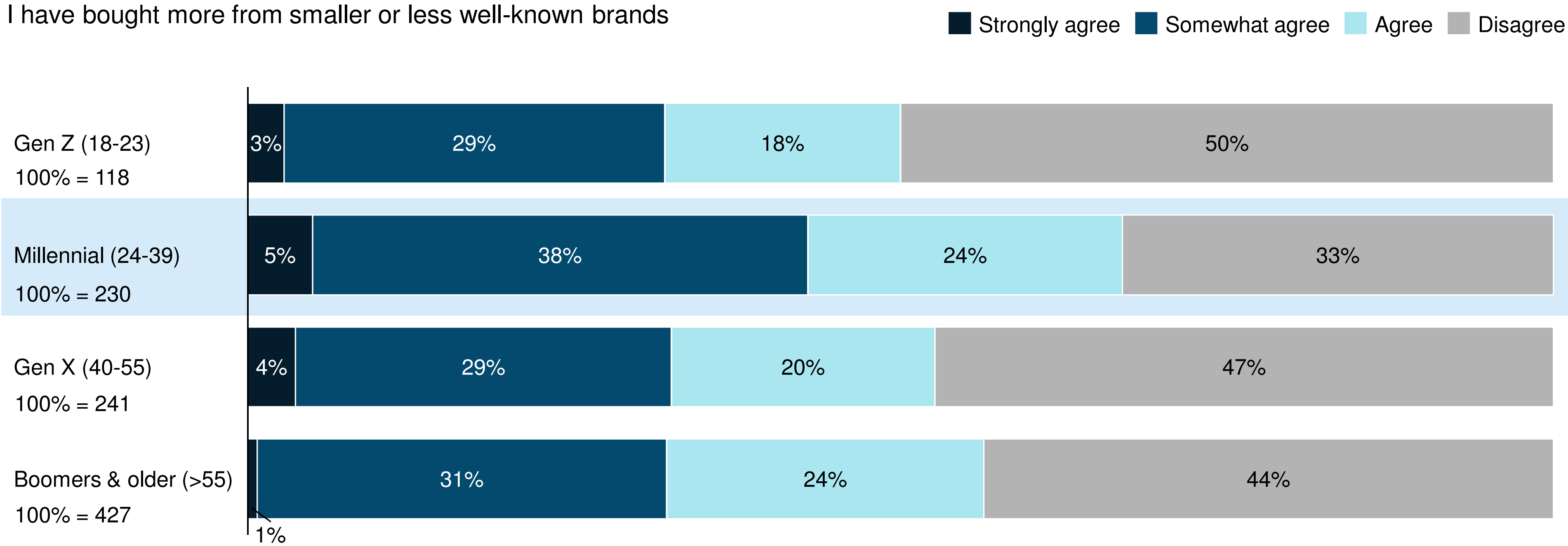
73%
of consumers consider products made by a trusted brand as an important purchasing factor

3/4th
of consumers are sticking with brands they know during COVID-19

However, Millennial consumer segments may be more open to experimenting with smaller / lesser known brands during the crisis

“Thinking about your habits and attitudes over the last several weeks compared to prior to the COVID-19 crisis, to what extent do you agree with the following statements?” Percentage

I have bought more from smaller or less well-known brands



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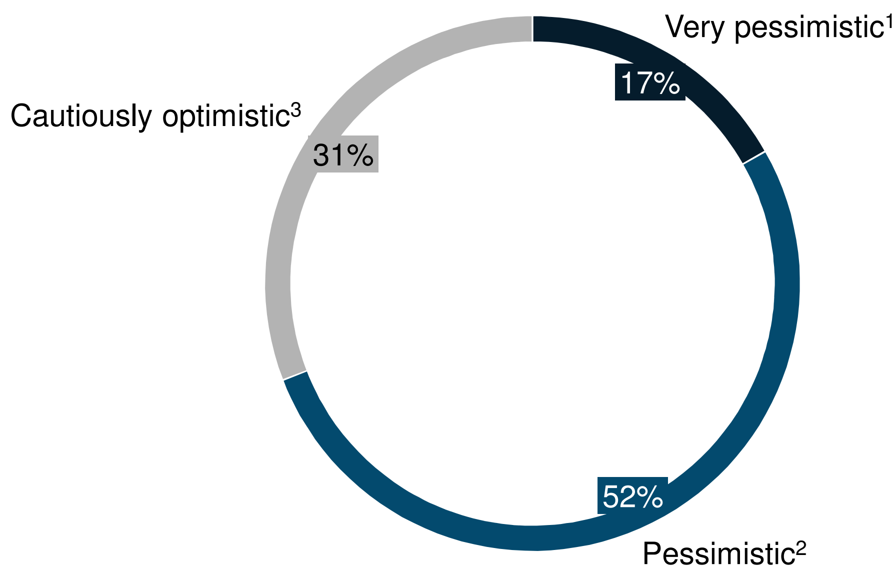
Consumers are pessimistic about economic conditions following COVID-19

"What is your overall confidence level on economic conditions after the COVID-19 situation?" Percentage



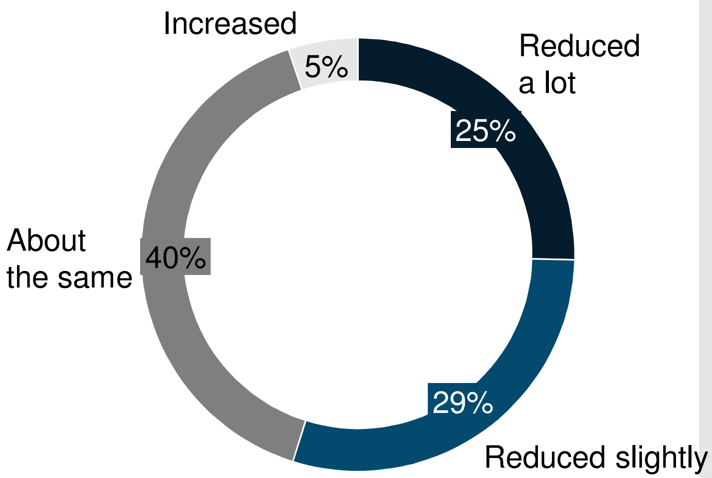
69%

of consumers are pessimistic about the economic conditions following COVID-19, and expect a slow recovery or a recession

1. Very pessimistic: "I think the COVID 19 situation will have a huge impact on the economy and will lead to one of the worst recessions we have ever seen"
2. Pessimistic: "I think the COVID 19 situation will have long impact on the economy and will lead to recession" or "I think the economy will stagnate for more than 12 months and will take a longer time to recover"
3. Cautiously optimistic: "I think the economy will be impacted by COVID-19 for 6-12 months and will not return to growth during that time" or "I think the economy will recover to the same growth rate than previously in 2-3 months after COVID-19" or "I think the economy will rebound in 2-3 months after COVID-19 situation and grow even faster than before"

54%+ consumers are spending less on fashion…

"How has the COVID-19 situation affected your spending on fashion over the past month?" Percentage



…~43%

Expect this to continue following COVID-19

… However, apparel & footwear is one of the last categories to be impacted in case of spending cuts

"In the event your income declines, which of the following items are you more likely to start saving money on?"

Rank in declining order, where 1 is the item you would start saving on first

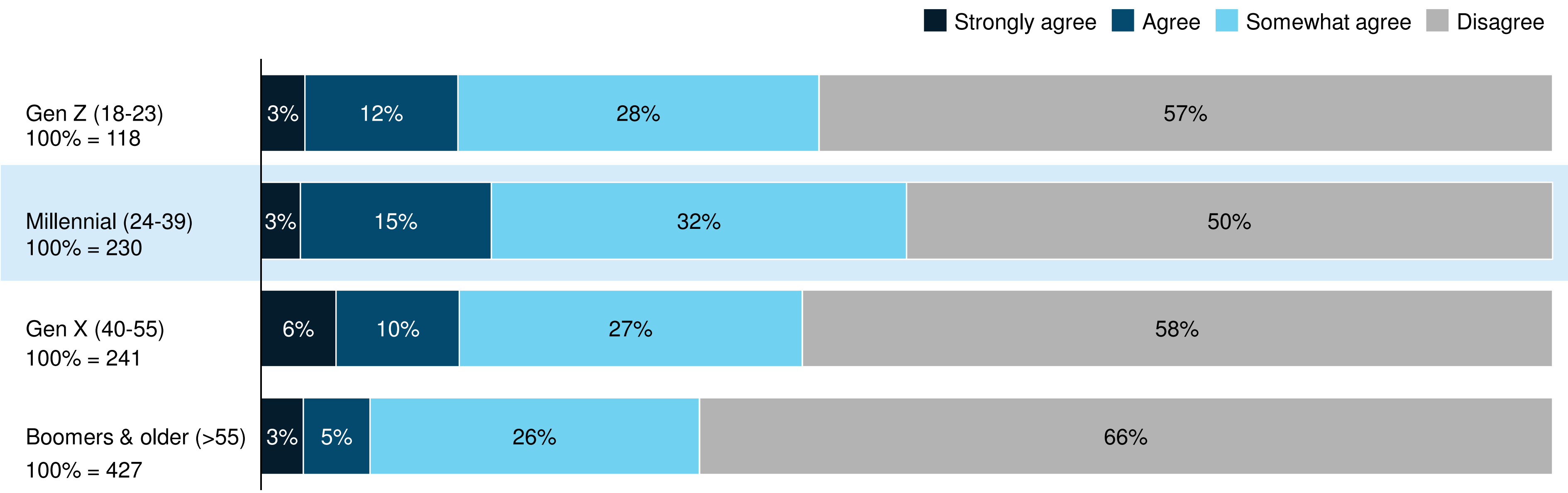
1 Jewellery
2 Travelling abroad
3 Accessories
4 Eating out
5 Going to theatre/music concerts
5 Spas/ massages
6 Electronics
6 Apparel
7 Footwear
8 Groceries

Consumers are likely to cut back on accessories and jewellery first

…However, Millennial consumer segments have traded down in their purchases during COVID-19

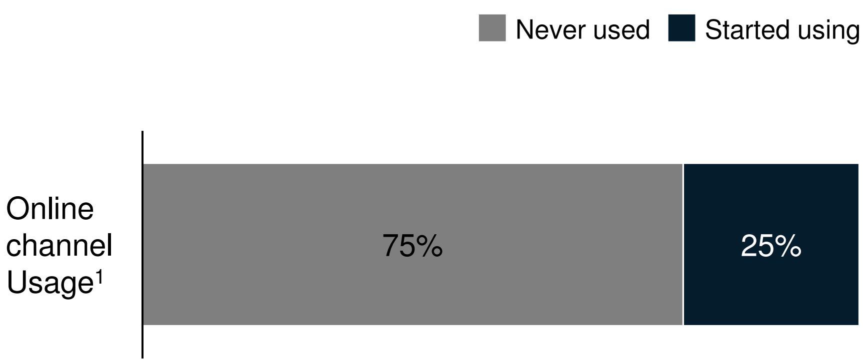
“Thinking about your habits and attitudes over the last several weeks compared to prior to the COVID-19 crisis, to what extent do you agree with the following statements?” Percentage

I have bought cheaper versions of the products I normally buy (e.g. moved from brands to private label)



COVID-19 has recruited new consumers to online channels…

"What best characterizes how you have been using the following channels to shop for fashion since COVID-19 started?" Percentage - online channels



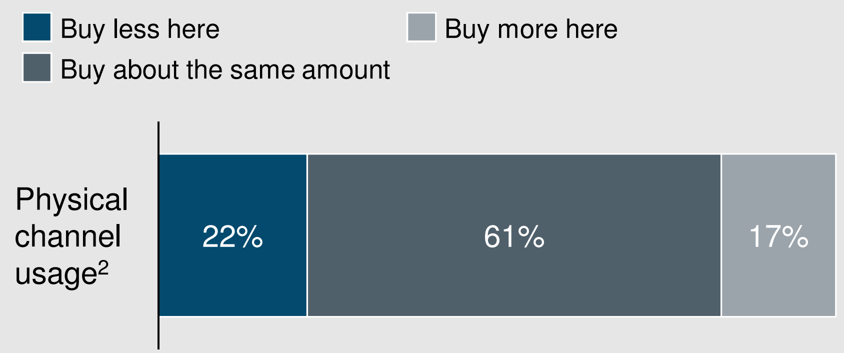
~25%

of consumers who starting using online channels as a share of users who didn't shop online previously …

1. Calculated as the share of consumers who started using online channels as a share of respondents who didn't use the channel; Excludes the respondents who were already using the channel or stopped using

…. and the shift is unlikely to reverse

"Where do you expect you'll buy fashion items (clothes, footwear, accessories) after COVID-19 crisis is over?" Percentage - physical channels



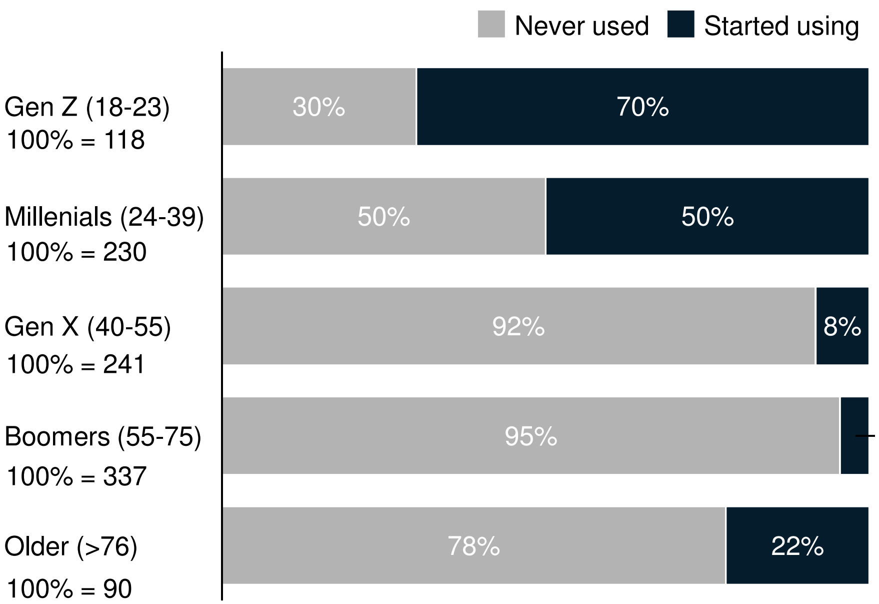
~22%

…of consumers expect to buy less at physical channels following the crisis

2. Ignores consumers who answered N/A

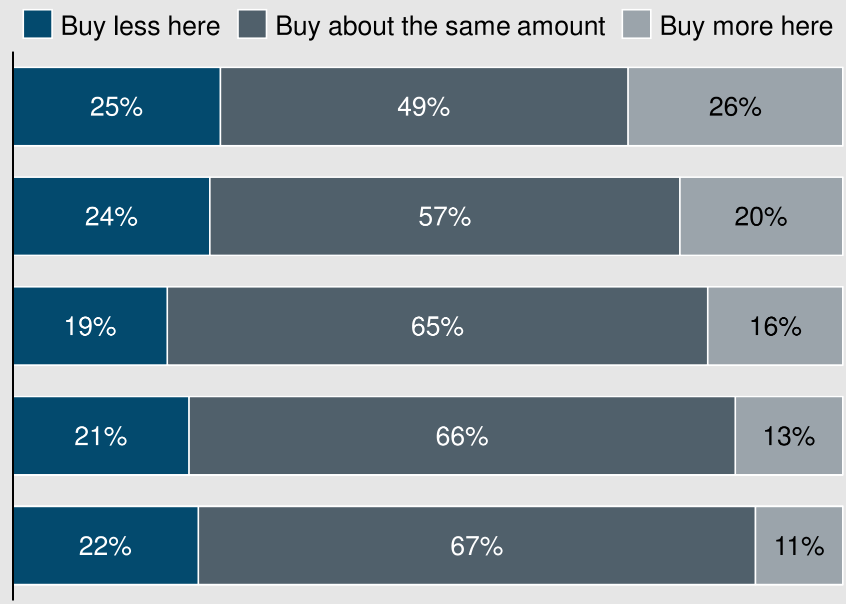
This trend is even more pronounced in younger consumer segments

“What best characterizes how you have been using the following channels to shop for fashion (clothes, footwear, accessories) since COVID-19 started?”
Percentage - Online Channels[1]



1. Calculated as the share of consumers who started using online channels as a share of respondents who didn’t use the channel; Excludes the respondents who were already using the channel or stopped using

“Where do you expect you’ll buy fashion items (clothes, footwear, accessories) after COVID-19 crisis is over?”[2]
Percentage - Physical Channels



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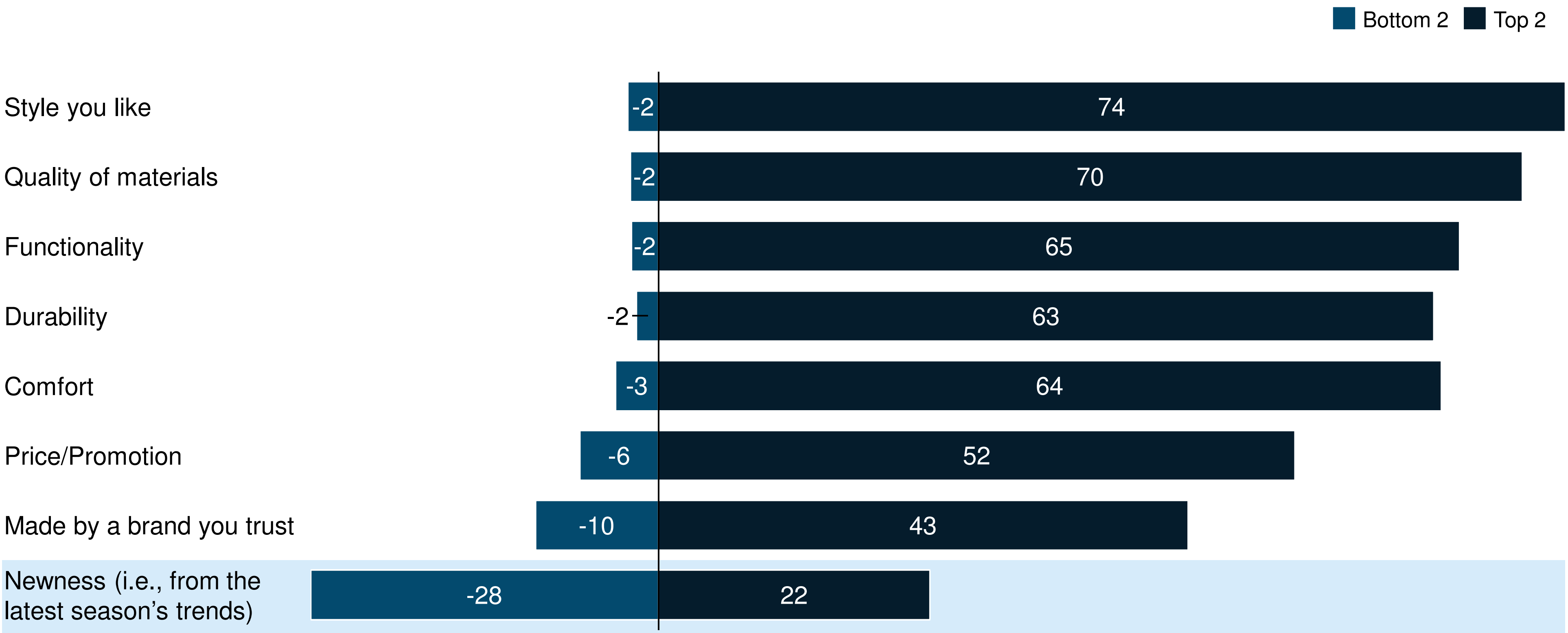
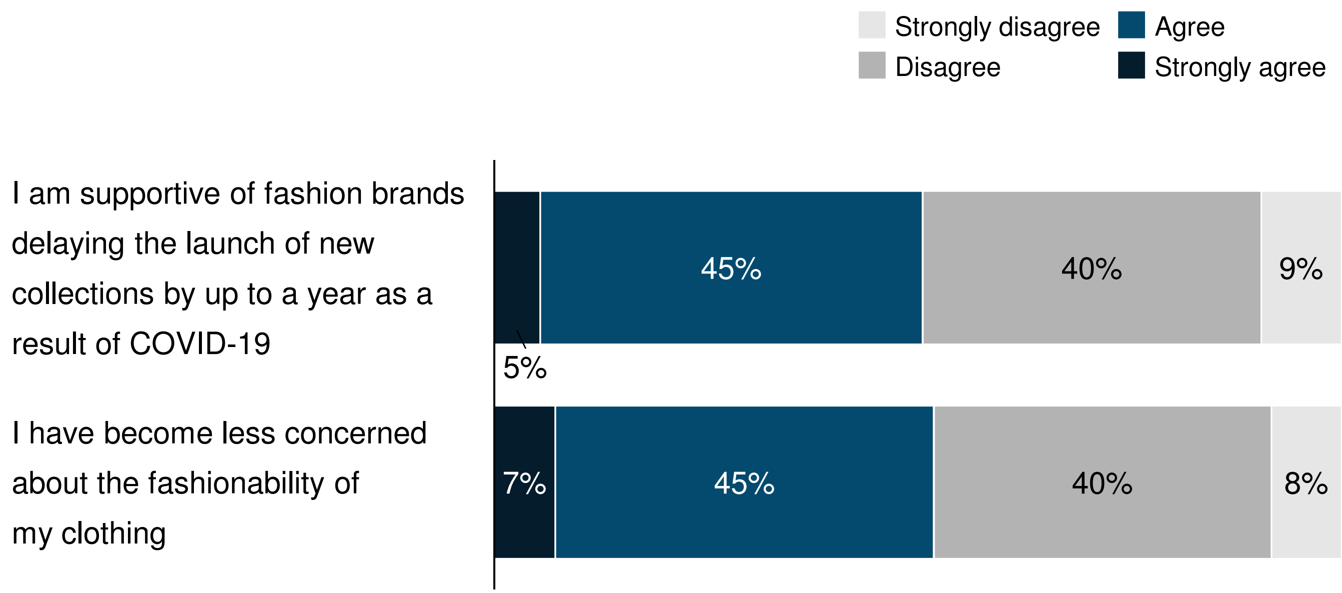
Consumers cite “newness” as one of the least important attributes when making purchases, indicating a shift from fashion cycle mindset

“How important are the following factors to you when selecting which fashion brand to buy from?”



Consumers do not seem to be attached to the traditional fashion cycle

"Thinking about your habits and attitudes over the last several weeks compared to prior to the COVID-19 crisis, to what extent do you agree with the following statements?" Percentage



50%

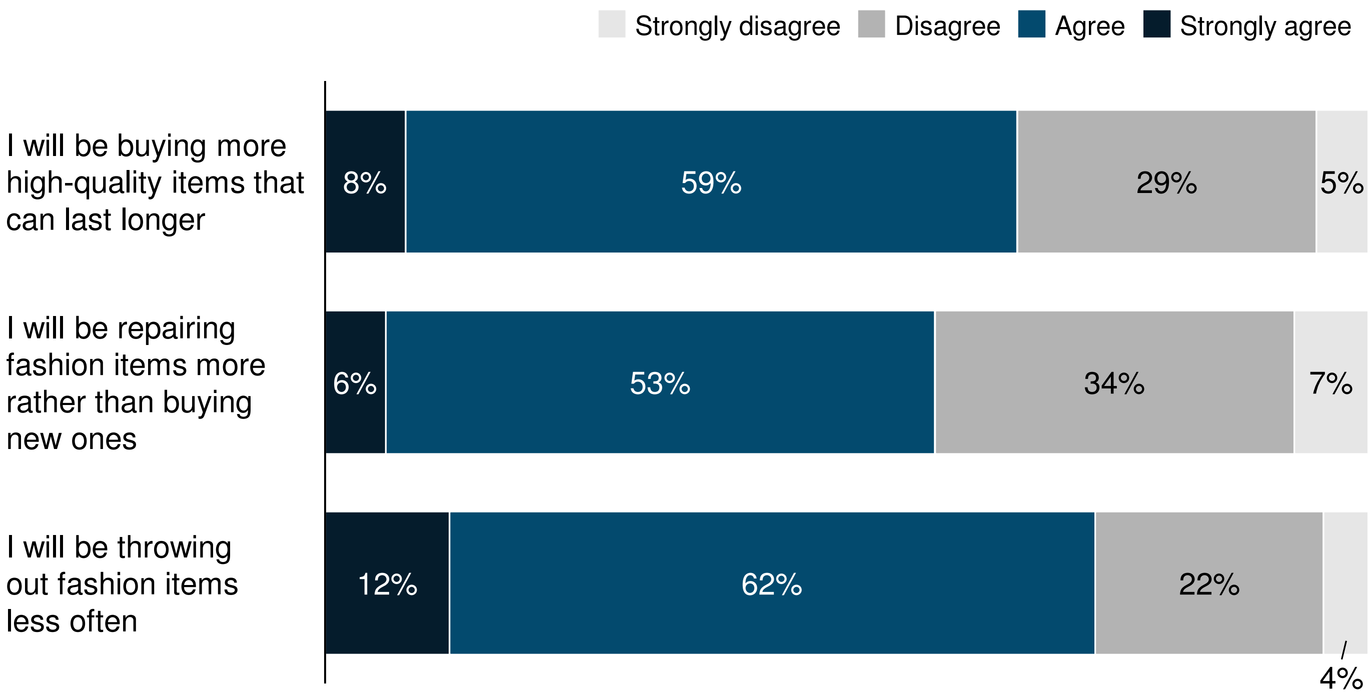
of consumers are supportive of fashion brands delaying the launch of new collections as a result of COVID-19

52%

of consumers are less concerned about fashionability

As a result of COVID-19, consumers are planning to purchase more durable fashion items and are open to repairing and keeping items for longer

"Thinking about your purchases of fashion items (clothes, footwear, accessories) how do you believe your behaviour will change after COVID-19?" Percentage



2/3rd

of consumers are planning to buy high quality durable items

59%

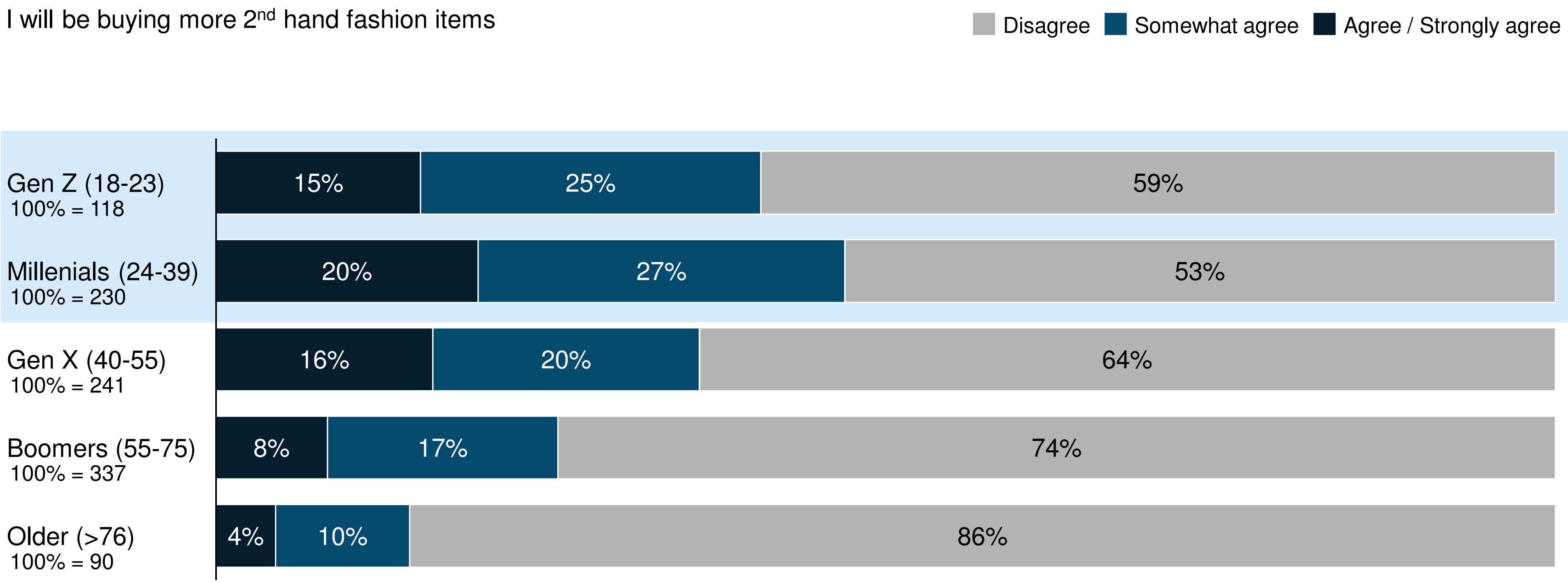
of consumers are open to repairing fashion items

74%

of consumers expect to extend the lifetime of items

Particularly among younger consumers, there is a greater interest to purchase 2nd hand fashion items following COVID-19

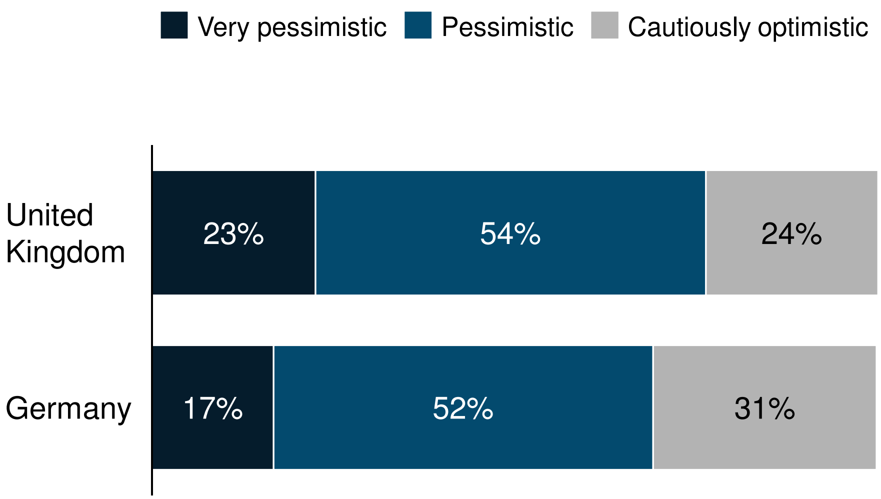
"Thinking about your purchases of fashion items (clothes, footwear, accessories) how do you believe your behaviour will change after COVID-19?" Percentage



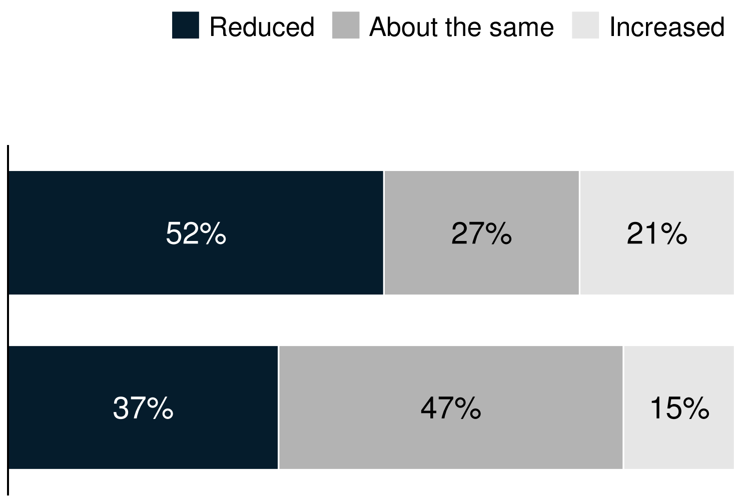
APPENDIX
UK vs Germany

Within German consumers, the economic outlook is more optimistic, with relatively less impact experienced in household income

"How is your overall confidence level on economic conditions after the COVID-19 situation?"[1]



"How has the COVID-19 situation affected the following over the past month? – overall household spending"



1. Very pessimistic: I think COVID 19 situation will have huge impact on the economy and will lead to one of the worst recessions we have seen"
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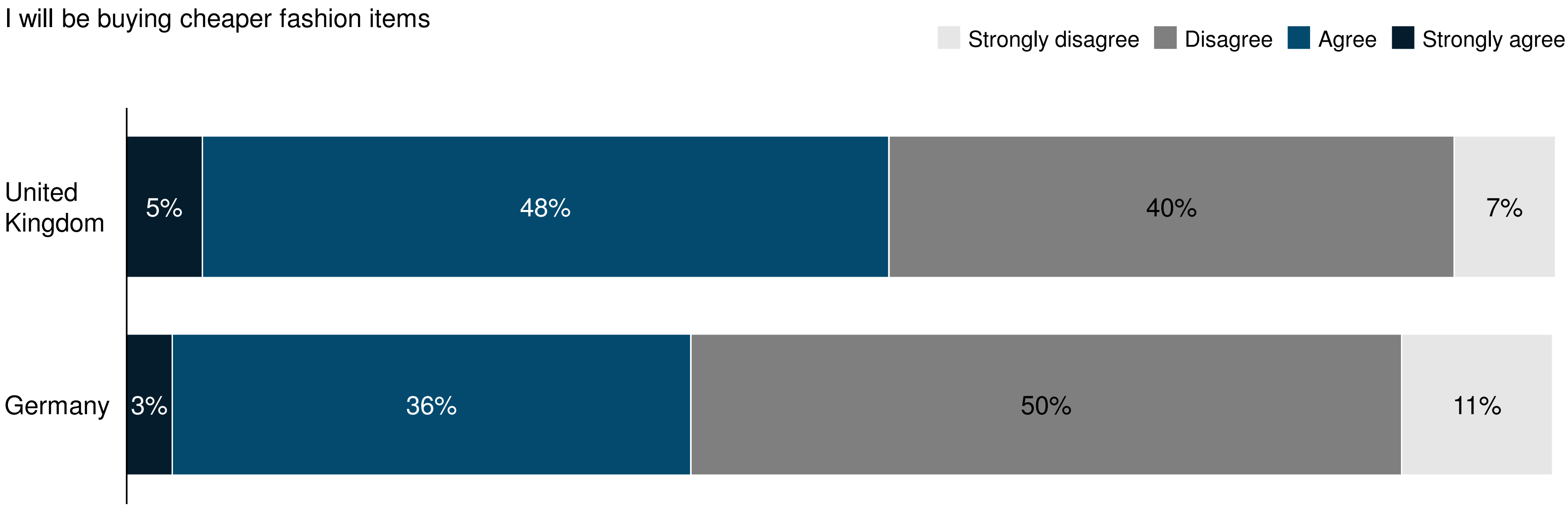
UK consumers are more likely to trade down vs. German consumers as a result of the crisis, in-line with the differences in economic outlook across the two geographies

"Now thinking about buying fashion items (clothes, footwear, accessories) how do you believe your behavior will change after COVID-19?"



UK consumers are more open to purchasing current collections in the following seasons vs. German consumers

"Thinking about your habits and attitudes over the last several weeks compared to prior to the COVID-19 crisis, to what extent do you agree with the following statements?" Percentage

I am supportive of fashion brands delaying the launch of new collections by up to a year as a result of COVID-19