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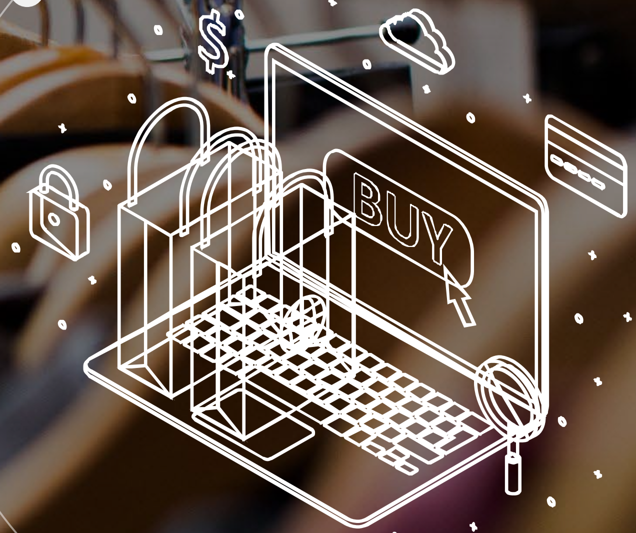
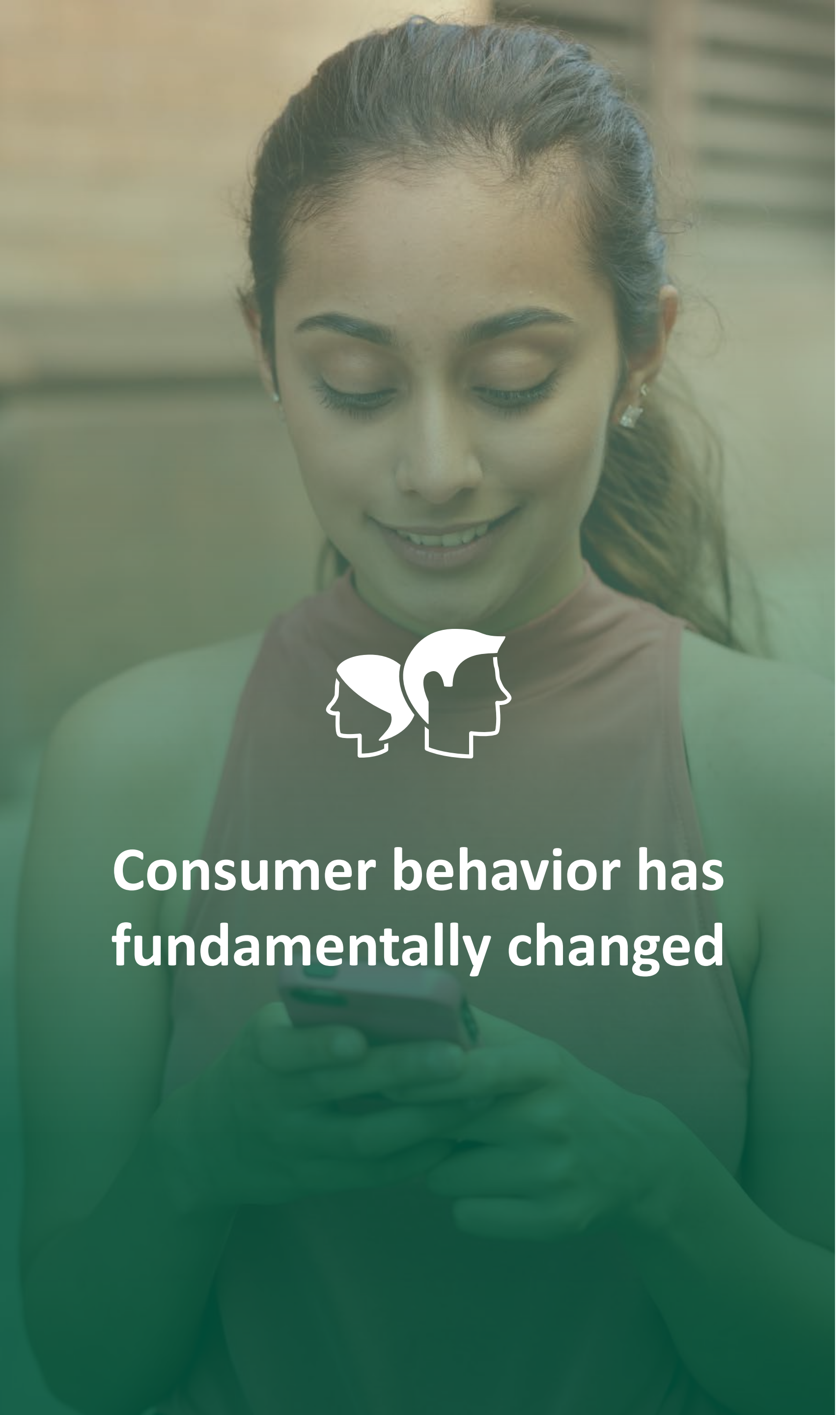
Turn the Tide

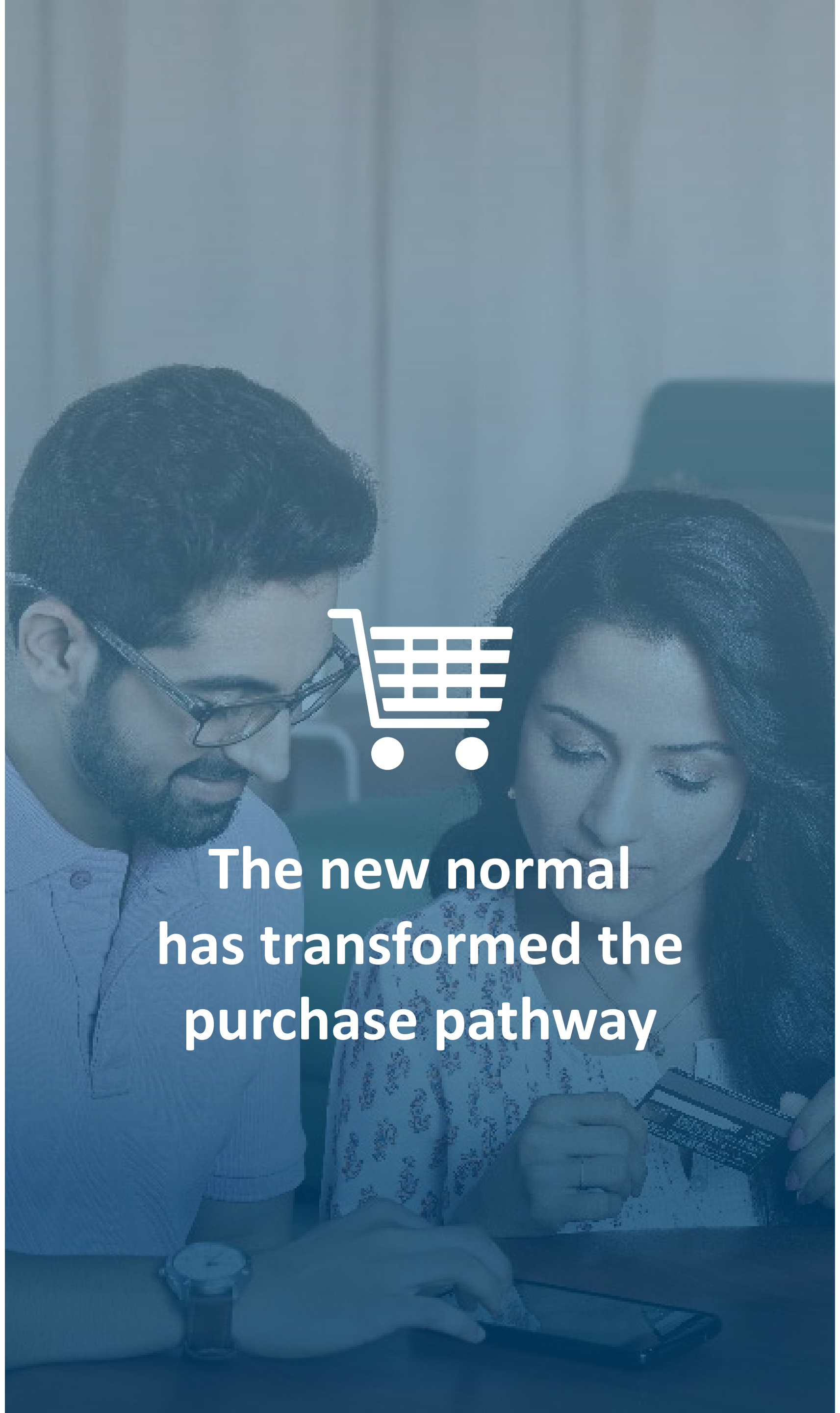
Unlock the new consumer path to purchase

Category: Apparel



June 2020


Consumer behavior has fundamentally changed


The new normal has transformed the purchase pathway


Businesses must unlock the new normal to help revival
Turn the Tide
Unlock the new normal

Great [leaders] rejoice in adversity just as brave soldiers triumph in war

—Lucius Annaeus Seneca

Covid-19 is an unprecedented epidemic

However to win in adversity, companies need to tailor strategies to today's unique context and look through layers

Turn the Tide

Unlock the new normal

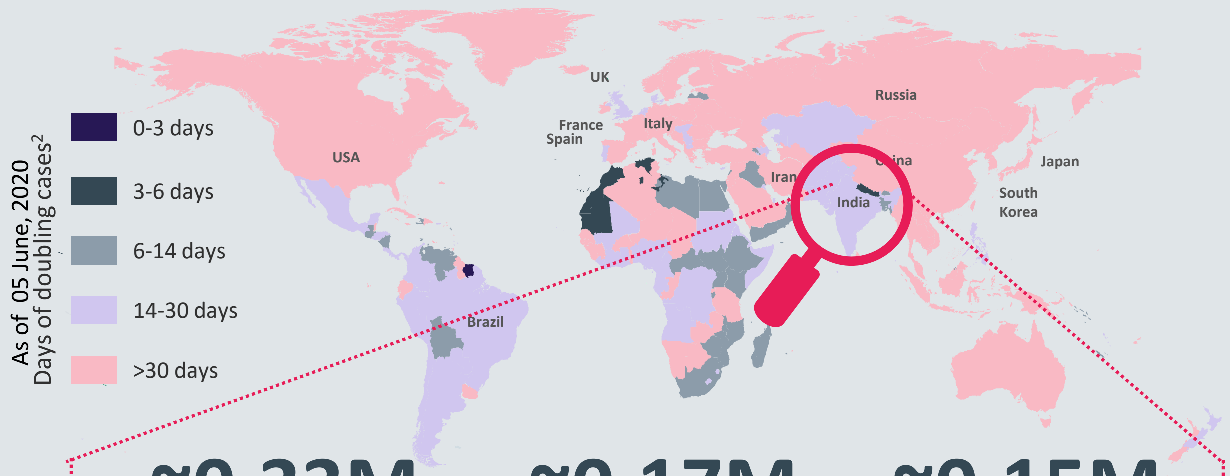
While the pandemic is far from over, calculated means to open-up the economy are in progress. Fashion & Retail now unrestricted

Pandemic spread in different degrees across the globe

As of 15 June 2020

~7.9M
Confirmed cases globally[1]

188
Countries with cases[1]



~0.33M Total no. of cases[1]

~0.17M Recovered[1]

~0.15M Active[1]

As of 15 June 2020

India gradually moving towards opening up economy[3]

Based on guidelines released on 17 May

Industry	Lockdown stages: 1.0 (25 Mar)	2.0 (20 Apr)	3.0 (4 May)	4.0 (18 May)
Education offline	Fully restricted	Fully restricted	Fully restricted	Fully restricted
Travel & tourism[1]	Fully restricted	Fully restricted	Fully restricted	Partially restricted
Public transportation[2]	Fully restricted	Fully restricted	Fully restricted	Partially restricted
Fashion, luxury & other retail	Fully restricted	Fully restricted	Partially restricted	Unrestricted
Other services	Fully restricted	Fully restricted	Partially restricted	Unrestricted
Auto and components	Fully restricted	Partially restricted	Partially restricted	Unrestricted
Building materials	Fully restricted	Partially restricted	Partially restricted	Unrestricted
Construction/infra	Fully restricted	Partially restricted	Partially restricted	Unrestricted
Consumer durables & discretionary	Fully restricted	Partially restricted	Partially restricted	Unrestricted
Forest products	Fully restricted	Partially restricted	Partially restricted	Unrestricted
Chemicals	Partially restricted	Partially restricted	Partially restricted	Unrestricted
Machinery	Partially restricted	Partially restricted	Partially restricted	Unrestricted
IT services	Partially restricted	Partially restricted	Unrestricted	Unrestricted
Goods transportation & logistics	Partially restricted	Unrestricted	Unrestricted	Unrestricted
IT hardware	Partially restricted	Unrestricted	Unrestricted	Unrestricted
Metals & mining	Partially restricted	Unrestricted	Unrestricted	Unrestricted
Packaging	Fully restricted	Unrestricted	Unrestricted	Unrestricted

Fully restricted | Partially restricted | Unrestricted

Industries unrestricted (across all lockdowns)

- Media
- Energy & utilities
- Oil & gas
- Financials
- Insurance
- Education (online)
- Consumer staples
- Food/drug retail
- Pharmaceuticals
- Health services
- Telecom
- Agriculture

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Unlock the new normal

Note: Continued cases and fatalities are subject to different testing, propensity, reporting standards and hence imperfect measures
1. . [NDTV Corona Virus - Live Statistics Data - accessed on 15th June, 2020] 2. [BCG Analysis - No. of doubling days based on 7 day CAGR, Source: John Hopkins CSSE data] 3. [Ministry of Home Affairs (MHA), BCG Analysis]

The pandemic has impacted the socio-economic fabric of India

With WFH and income uncertainty, only functional triggers likely to drive apparels category

HEALTH & SAFETY

The pandemic has created a never-before focus on health & safety

1 **COVID-19 Cases**
0.33M+ total cases in India[1]

2 **Web Trends**
~120% spike in online searches on health & immunity in India post COVID[2]

3 **Demand of health products**
49% consumers intend to buy more vitamins, herbs and supplements in the coming days[3]

PUBLIC POLICY

Social distancing and structural interventions will drive faster recovery

4 **Public Health Measures**
Social distancing enforced via nation-wide lockdown

5 **Industry Guidelines**
Apparel industry in unrestricted category as per latest government guidelines[4]

6 **Monetary Relief Measures**
~$13Bn infusion by monetary relief measures by RBI[5]

ECONOMICAL

Uncertainty around income and weakened demand potential in near term

7 **Income Uncertainty**
- **60%** of total household expenditure in hotspots; **45%** of consumption in hotspots non-essential[6]
- **198M** workforce employed in hotspot districts[7]

8 **Inflation / Price Indicators[8]**
- **70 bps** drop in CPI
- **130 bps** drop in WPI

9 **Trade / Logistics Indicators[9]:**
- **35%** decline in exports and **29%** decline in imports
- **14%** decline in retail freight traffic

10 **Market Sentiment Indicators[10]:**
20% decline in Nifty index since 1st Feb

SOCIAL

Consumer priorities being re-calibrated; certain behavior changes will stick long term

11 **Consumer Sentiment**
Discretionary categories like **apparel** witnessing weaker consumer spending sentiment[11]

12 **Media, Smartphone Usage**
16% increase in smartphone screen time (May vs Pre-COVID)[13]
Globally, **~3Bn** average **MAUs** across Facebook, WhatsApp, Instagram & Messenger[14]

13 **Web Traffic trends**
Medicine and Beverages with highest traffic growth[15]

14 **Mobility**
40%+ reduction in number of visits to public places due to lockdown and social distancing[16]

Source: 1. [NDTV Corona Virus - Live Statistics Data - accessed on 15th June, 2020] ; 2. [Online Search Trends (India)] 3. [BCG COVID-19 Consumer Sentiment Survey, April 30- May 03 (N = 1,327)] 4. [Ministry of Home Affairs (MHA), Govt. of India; Do not apply for containment zones, States and Union Territories may prohibit certain activities] 5. [RBI Notification – 17th April] 6. [BCG Analysis, Source: Nielsen-Indicus database 2017-18, Hotspot list as of 15th April (MoHFW), data compiled in 2017-18 , Press Search] 7. [BCG Analysis, Source: Hotspot list as of 15th April (MoHFW), PLFS workforce survey 2017-18, Census 2011-12 district workforce report] 8. [CPI (MOSPI), WPI (Office of economic advisor) – Change comparison Feb 20 vs March 20] 9. [Import-Export movement (Ministry of Commerce & Trade), Railway Traffic (Ministry of Railways) – YoY decline in March'20] 10. [Bloomberg data - As of 23-April] 11. [Source: TechArc] 12. [Source: BCG COVID-19 Consumer Sentiment Survey 13. [BARC Nielsen – TV + Smartphone consumption report during crisis, 7th May 2020] 14. [Facebook Q1 2020 Earnings Release/ Call Transcript – 2.6Bn users just on Facebook] 15.[BCG Analysis, Source: SimilarWeb data *www.similarweb.com] 16. [Source: COVID-19 Community Mobility Report – India – Apr 17, 2020]

‘Social distancing’ has been the key to fight disease globally and in India; making it the new way of living

Social distancing advocated as key measure to control COVID spread

CDC — **Social Distancing**
Keep Your Distance to Slow the Spread

Johns Hopkins University — **Now is not the time to ease social distancing measures, experts say**
Amid talk of restarting the economy, Johns Hopkins public health officials and leaders urge people to remain at home to slow the spread of COVID-19

South Korea — South Korea keeps social distancing post COVID-19 -qz.com

Hong Kong — Hong Kong extends social distancing measures as cases drop -Bloomberg

Globally strict measures followed to ensure social distancing

Up to 15 April 2020

- 10+ Countries — **Closed public transportation[1]**
- 19+ Countries — **Closed workplaces[1]**

India is actively following social distancing guidelines

India has observed a stark drop in number of visits across public places

RETAIL & RECREATION
~85%[2] Reduction in number of visits compared to baseline

WORKPLACE
~65%[2] Reduction in number of visits compared to baseline

Strict social distancing guidelines issued for reopening workplaces[3]

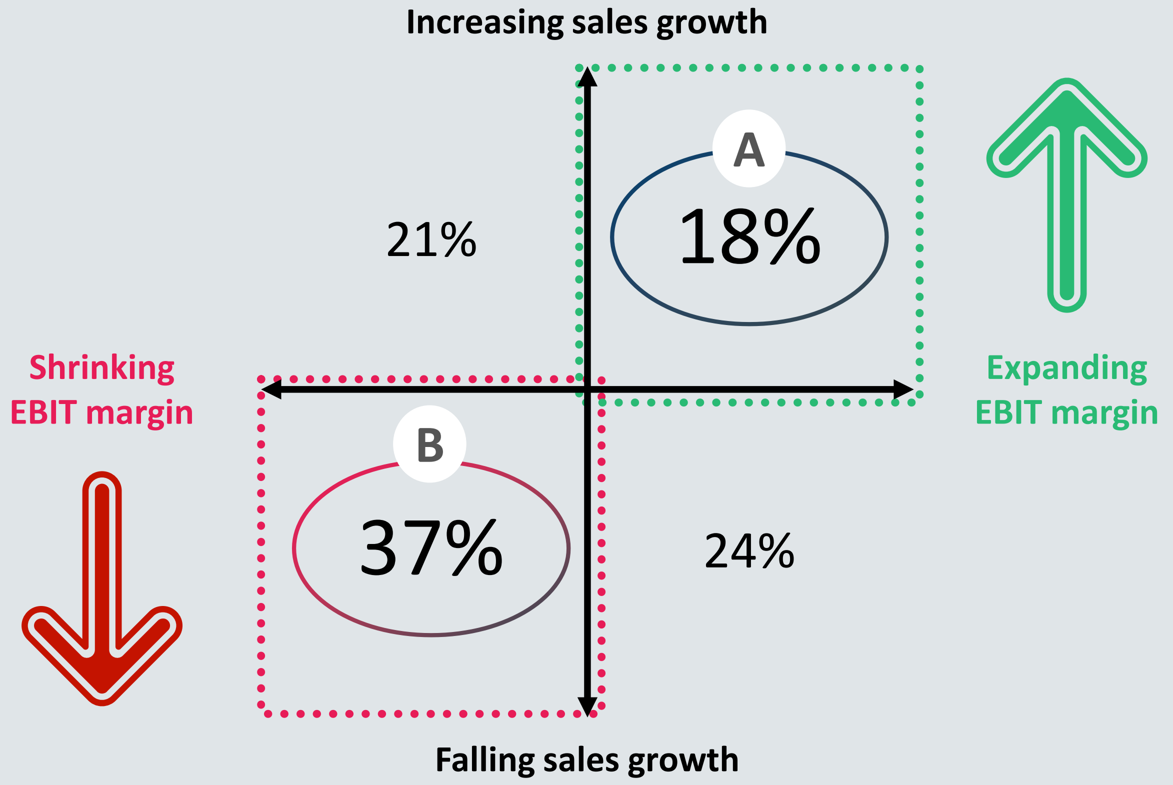
Non-Exhaustive

- Seating at least 6 feet away from others on job sites
- Gap of 1 hr. between shifts & stagger lunch breaks

1. [Oxford COVID-19 Government Response Tracker] 2. [COVID-19 Community Mobility Report (April 17, 2020) - The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020]; 3. Press Search; [Live Mint] [Coronavirus lockdown rules for offices: 6 feet apart seats, one hour gap between shifts]

Even in the face of adversity, historically there are organizations that have found opportunities to grow

18% of Indian companies[1] improved both growth & margin during the 2008-09 Global Financial Crisis, while 37% declined in both[2]



There are many success stories of Indian companies weathering historical crisis[3]

HCL TECHNOLOGIES

While most players were struggling to survive the 2008 crisis, HCL increased its revenues by 23.5% in 2009 with a three-pronged approach: enhanced customer centricity, strategic shift towards sophisticated value adding services and an "employee-first" mantra. The stock price has increased 18X since 2009

MARUTI SUZUKI

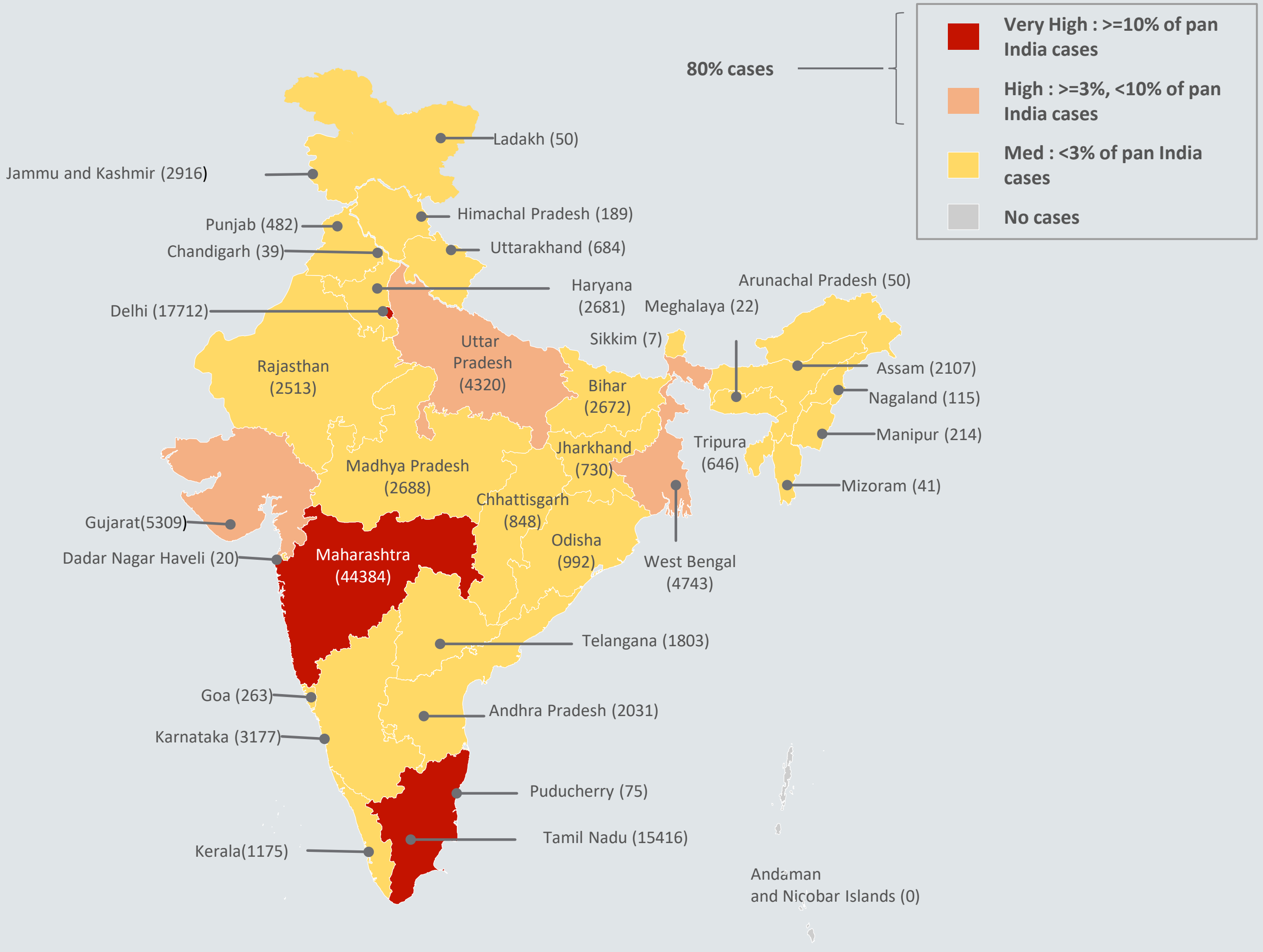
While the global recession of 2008 affected the sales of all car manufacturers, Maruti Suzuki embarked on a forward-looking journey. The reaction included capacity expansion, increased headcount in R&D, flexible product-mix and breaking new ground in consumer markets. Stock price has soared 10X since 2009

1. [Indian public companies with Market Cap > $10M, excluding Banks, Insurance, Asset Management companies] 2. [BCG Analysis: Based on revenue growth & EBIT Margin growth (from FY'09 to FY'12) compared to three-year pre-downturn baseline (from FY'06 to FY'09); Source: S&P Capital IQ Financial Statements] 3. [BCG Analysis, Source: Press Search, BCG Valuescience, Press Search: financial Express, Economic Times]

As the current crisis unfolds in India, near term potential exists in pockets; need to look at the de-averaged picture

25 states have less than 20% active cases[1]

Data as of 09 June



1. [BCG Analysis, Source: Ministry of Health & Family Welfare (MoHFW) website; Press reports]

Companies should strategically prioritize re-opening and scaling up business as lockdown starts easing across regions

Potential to target specific micro-markets further along recovery to 'normal'

Spending sentiment translating differently across categories

Given income uncertainty, categories like apparel have witnessed cutbacks in spend sentiment

Right strategic actions needed to win disproportionate share

"Growing" Categories
Categories with net increase in spends

		Wave 1 (23-26th Mar)	Wave 2 (17-20th Apr)	Wave 3 (30 Apr-03rd May)
Daily essentials	Fresh foods	Positive	Positive	Positive
	Staples	Positive	Positive	Positive
	Household care products	Positive	Positive	Positive
	Personal care products	Positive	Neutral	Neutral
	Utilities (electricity, water)	Positive	Neutral	Neutral
At-home entertainment	Mobile services	Positive	Positive	Positive
	Home wifi connection	Positive	Positive	Positive
	Paid OTT subscription	Positive	Positive	Positive
	DTH services	Positive	Neutral	Neutral
	Toys & games	Positive	Neutral	Neutral
Saving/ Investments	Savings	Positive	Positive	Positive
	Insurance	Positive	Positive	Positive
Health	Preventive diagnostics/test	Positive	Positive	Positive
	Vitamins, herbs, supplements	Positive	Positive	Positive
	Medical procedures	Positive	Positive	Positive
	First-aid	Positive	Positive	Positive
Education	Education	Positive	Neutral	Positive

Marketers will need to identify pockets of opportunities

'Shrinking' Categories
Categories with net decrease in spends

		Wave 1 (23-26th Mar)	Wave 2 (17-20th Apr)	Wave 3 (30 Apr-03rd May)
Discretionary spends	Apparel/fashion	Negative	Negative	Negative
	Cosmetics, makeup, perfume	Negative	Negative	Negative
	Luxury brands/products	Negative	Negative	Negative
	Tobacco & smoking supplies	Negative	Negative	Negative
	Alcohol	Neutral	Negative	Negative
	Food delivery	Neutral	Negative	Negative
	Packaged food & beverage	Neutral	Negative	Neutral
Travel	Vacation/leisure travel	Negative	Negative	Negative
	Business travel	Negative	Negative	Negative
	Public transport	Negative	Negative	Negative
OOH Entertainment	Spas, theme parks, concerts	Negative	Negative	Negative
	Restaurants	Negative	Negative	Negative
	Movies at cinema hall	Negative	Negative	Negative
Electronics	Sports equipment & clothing	Neutral	Negative	Neutral
	Non-mobile consumer electronics	Negative	Negative	Negative
	Mobile electronics	Neutral	Negative	Neutral
Home	Home construction/renovations	Negative	Negative	Negative
	Home furnishings and décor	Negative	Negative	Negative
Auto	Scooters/bikes	Negative	Negative	Negative
	Cars	Negative	Negative	Negative

Consumer sentiment Positive Neutral Negative

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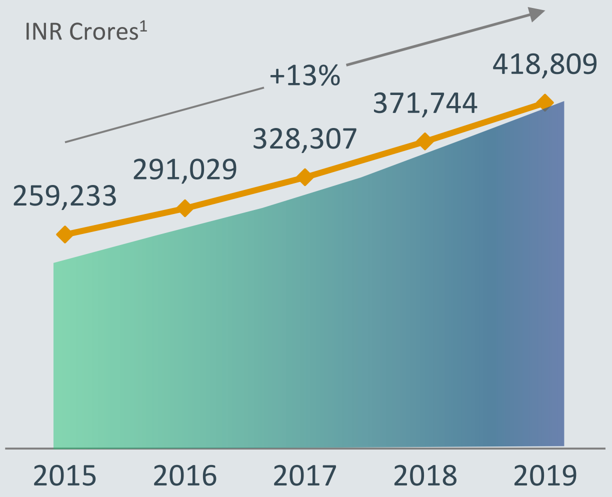
Note: Question text: "How do you expect your spend to change in the next 6 months across the following areas?" Categories with Top 2 Box > (5% more than average) classified as winning categories. Categories with Bottom 2 Box > (5% more than average) classified as losing categories. Categories neutral across waves: Baby/children's food, Non prescription medications, Prescription medicines, House rent, Home purchase & Home loans.
Source: BCG COVID-19 Consumer Sentiment Survey March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively)

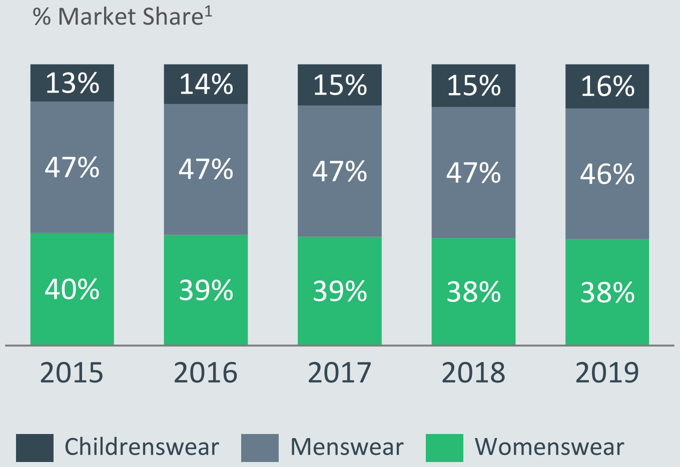
Pre-COVID-19, Apparel category in India was growing steadily

Apparel industry was growing consistently



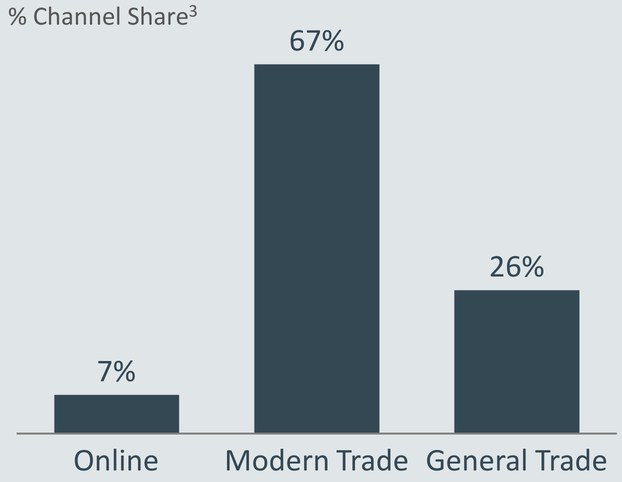
- Apparel industry grew at a CAGR of 13% from 2015-19[1]
- 90% of sales driven through the unorganized sector[2]

Sub-category mix was consistent



- Menswear: High share of formals; more organized[2]
- Womenswear: High share of ethnic and traditional; more unorganized[2]

Most shopping was through modern trade channels



- Online channel was small, but growing fast (CAGR of 34% from 2015-19[1])

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1. {Euromonitor, accessed on May 2020], 2. [Market Line, India – Apparel Retail Report, Feb 2020]; 3. [CCI Survey and BCG analysis, Respondent asked to state percentage split of their spend in a given apparel subcategory across six channels, N = 1218]

The pandemic has impacted sentiment for apparel

Nearly 1 in 2 will look to cutback on apparel, being a discretionary spend **but a third will increase spending**

Similar trajectory in sentiment across sub-categories and over time

% of consumers looking to increase / decrease / retain spends in the next 6 months[1]

1. [BCG COVID-19 Consumer Sentiment Survey, Question text: "How do you expect your spend to change in the next 6 months across the following areas?" , April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively)],2. Euromonitor

Near-term opportunities exist for apparel brands

Mid to older, more affluent, metro-based consumers have a more positive outlook across apparel sub-categories

% of consumers looking to increase or retain spends in the next 6 months – Demographic profile[1]

OLDER CONSUMERS (WOMEN: 26+ AND MEN: 35+) ARE MORE RESILIENT AND HAVE A MORE POSITIVE SPENDING OUTLOOK TOWARDS APPAREL

Age	Women's clothing	Men's clothing	Children's clothing
18-25 yrs	48%	51%	50%
26-35 yrs	51%	53%	58%
35-45 yrs	56%	60%	62%

AFFLUENT CONSUMERS LESS IMPACTED BY INCOME UNCERTAINTY; HAVE A MORE POSITIVE SPENDING OUTLOOK FOR MEN AND WOMEN CLOTHING

Affluence	Women's clothing	Men's clothing	Children's clothing
SEC A	60%	59%	59%
SEC B	44%	49%	56%

MORE POSITIVE SENTIMENT IN METROS FOR WOMEN AND CHILDREN CLOTHING

Town class	Women's clothing	Men's clothing	Children's clothing
Metro	55%	58%	63%
Non-Metro	48%	50%	52%

1. [BCG COVID-19 Consumer Sentiment Survey, Question text: "How do you expect your spend to change in the next 6 months across the following areas?" , April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively)]

The pandemic will create different types of changes in consumer behavior – some more long lasting than others

REVERSAL OF PAST TRENDS

Wild cards; likely to be temporary surges

These are complete reversal of how consumers were behaving in the past

These changes have mostly risen out of a constraint or fear vs. convenience or choice

These trends will likely last in line with recovery period

ACCELERATION OF EXISTING TRENDS

High potential permanent shifts in behavior

Consumer behavior was already moving towards these trends

With the pandemic, the trends have gained momentum and accelerated

Positive reinforcement is essential for consumers to adopt them in the long term

NEW HABITS

Stickiness of change is yet to be determined

Entirely new habits developed during the pandemic and while social distancing

Consumers who gain positive reinforcement out of the habits may retain them

Ecosystem facilitating and feeding these changes can make it last longer

New trends of consumer behavior emerge across categories

This will deeply impact purchase pathways in the new normal

	REVERSAL OF PAST TRENDS	ACCELERATION OF EXISTING TRENDS	NEW HABITS
Social Distancing	1 Bringing the Outside Inside	5 Embracing digital services & experiences 6 Accelerated adoption of e-commerce & O2O	9 Remote way of living 10 'D'o 'I't 'Y'ourself
Health & Hygiene	2 Trust in brand above all else	7 Strive for Health & Wellness 8 Rise of 'Smart shopper'	11 Superior hygiene & clean living: a new norm
Income Uncertainty	3 Trading down & bargain hunting 4 Shopping for Utility		
	Wild cards: likely to be temporary surges in line with recovery period	*High potential permanent shifts: linked to positive reinforcement*	*Stickiness of change is yet to be determined*

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Unlock the new normal

7 consumer trends will have a higher impact on the Apparel category

Social Distancing | **Health & Hygiene** | **Income Uncertainty**

REVERSAL OF PAST TRENDS

1. **Trading down & bargain hunting**
   - 32% consumers are planning to trade down in apparel[1]
   - 40% of consumers planning to increase spend will expect discounts/ promotions during apparel shoopping[2]
2. **Shopping for Utility**
   - Purchase triggers expected to become more "functional" vs. occasion led ; 15% consumers shopped due to functional reasons pre-crisis[3]; expected to rise significantly

Wild cards: likely to be temporary surges in line with recovery period

ACCELERATION OF EXISTING TRENDS

3. **Embracing digital services & experiences**
   - 55-60% urban consumers expected to be digitally influenced[4]
4. **Accelerated adoption of e-commerce & O2O**
   - 40% of consumers are planning to increase online spend on apparel[7]
5. **Strive for Health & Wellness**
   - 1.4x rise in time spent on fitness apps[8]; increase in demand for activewear/ athleisure

High potential permanent shifts: linked to positive reinforcement

NEW HABITS

6. **Remote way of living**
   - 79% consumers are unwilling to go out of house, except work[5]; higher need for casual / comfort in wardrobe vs social occasion clothing
7. **Superior hygiene & clean living: a new norm**
   - Consumer want retailers to focus on high standards of store hygiene post the pandemic (57% globally)[6]

Stickiness of change is yet to be determined

1.. [BCG COVID-19 Consumer Sentiment Survey, Question: "In In the next one how do you expect the choice of your brands to change?"; April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively)), 2.[BCG COVID-19 Consumer Sentiment Survey, Question Text: "Please state the reason to spend more/ less in near future?" , Source: BCG COVID-19 Consumer Sentiment Survey, April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 3. [CCI Survey and BCG analysis, Question Text: Occasion/reason for your last purchase in given apparel subcategory?, N=1218],4. Estimation for 2021 from expert interviews and BCG CCI Digital Influence Study 2017 analysis (N=18,000 per year),5. [BCG COVID-19 Consumer Sentiment Survey, Question Text: "How much do you agree with each of the following statements about the coronavirus? Combined Strongly agree and somewhat agree", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 6. BCG COVID-19 Consumer Sentiment Survey, April 17–20, 2020 (N = 5,729 across China, Germany, Italy, UK, and US; unweighted), 7. [BCG COVID-19 Consumer Sentiment Survey, Question Text:" In the next one month, how do you expect your online spend Apparel/ fashion (e.g., clothing, handbags, footwear) to change?"; April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively)), 8.[Nielsen, Nielsen TV and Smartphone report, Week of March 30 vs Week of April 27]

THE PURCHASE PATHWAY FOR APPAREL IS UNDERGOING FUNDAMENTAL CHANGES

UNDERSTANDING THIS WILL BE KEY TO TAP EMERGING OPPORTUNITIES

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Consumer Behavior Change in P2P: **Pre-Purchase**

PRE-PURCHASE

1 SHOPPING TRIGGERS WILL BE MORE FUNCTIONAL AS OPPOSED TO BEING LED BY OCCASIONS

57%

% respondents (post-COVID)[1]

Consumers have stopped or reduced going out to meet friends *(1.2x times more in large towns vs. small towns)*

41% *Shopped apparels due to celebratory occasions*

% respondents (pre-COVID)[2]

↓ With social distancing, less purchases for specific occasions

15% *Shopped apparels due to functional requirements*

% respondents (pre-COVID)[2]

↑ Value seeking mindset will trigger more utility shopping

Reversal of past trends, likely to be temporary — **SHOPPING FOR UTILITY**

2 SOME CONSUMERS WILL SEEK ATTRACTIVE PRICING OR MAY TRADE DOWN IN CHOICES

26% *Had price in top 3 choice drivers*

% respondents (pre-COVID)[3]

↑ With increased value consciousness, pricing will be a more important choice driver

Consumer's brand choices to be impacted by income uncertainty

40% Will look for discounts among those who are increasing expenditure in apparel[4]

32% Will trade down to cheaper brands or lower variants of same brand[5]

% respondents (post-COVID)

Reversal of past trends, likely to be temporary — **TRADING DOWN AND BARGAIN HUNTING**

1. [BCG COVID-19 Consumer Sentiment Survey, Question Text: "How much do you agree with each of the following statements about the coronavirus?", "Which statement best describes your behavior since the Lockdown?", Source: BCG COVID-19 Consumer Sentiment Survey, May 18-May 23 2020 (March 23-26, April 17-20 2020, April 30-May 03, May 18-23, 2020 (N = 2,106, N = 2,324, N=1,327 , and N-3276 respectively))], 2. [CCI Survey and BCG analysis, Question Text: Occasion/reason for your last purchase in given apparel subcategory?, N=1218], 3. [CCI Survey and BCG analysis, Question Text: : Thinking about your last purchase for given subcategory, can you tell me the three most important factors which helped decide what product should be bought?, N=1218], 4.[BCG COVID-19 Consumer Sentiment Survey, Question Text: “Please state the reason to spend more/ less in near future?” , Source: BCG COVID-19 Consumer Sentiment Survey, April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 5. [BCG COVID-19 Consumer Sentiment Survey, Question Text: “In In the next one how do you expect the choice of your brands to change?”; April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))],

Consumer Behavior Change in P2P: **Pre-Purchase**

PRE-PURCHASE

3 CASUALIZATION OF WARDROBE AND HIGHER DEMAND FOR COMFORT WITH A MORE “STAY-AT-HOME” LIFESTYLE

79%

% respondents (post-COVID)[1]

Consumers are unwilling to go out of house, except work
This is impacting their wardrobe needs

13%

Market is driven by casual wear for men and women

% market share (pre-COVID)[2]

Casual wear expected to become a larger part of both men/women portfolio

Comfort in type of clothing and design will be higher in demand with a more at home lifestyle

New habit, stickiness unclear

REMOTE WAY OF LIVING

4 GIVEN INCREASING FOCUS ON HEALTH AND WELLNESS, THERE WILL BE HIGHER DEMAND FOR FITNESS WEAR

1.4x

Increase in Time Spent (post-COVID)[3]

Increase in time spent on fitness apps[2]
Consumers are becoming increasingly more health conscious

Increase in demand for fitness related fashion such as athleisure/sportswear

Precautionary equipment like face masks may become a fashion accessory from essential commodity

Acceleration of existing trends, likely to last longer term

STRIVE FOR HEALTH & WELLNESS

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1. [BCG COVID-19 Consumer Sentiment Survey, Question Text: "How much do you agree with each of the following statements about the coronavirus? Combined Strongly agree and somewhat agree", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 2. [Images retail report, Technopak, Wazir report, Expert Interviews, BCG analysis, 3. [Nielsen, Nielsen TV and Smartphone report, Week of March 30 vs Week of April 27]

Consumer Behavior Change in P2P: Pre-Purchase and Purchase

PRE-PURCHASE

5 WITH MORE TIME ONLINE, DIGITAL INFLUENCE WILL RISE FOR APPAREL SHOPPERS

55-60% urban consumers expected to be digitally influenced[1]

Pre-COVID, 45-50% apparel consumers were digitally influenced (used online to discover or research or compare products)[1]

45-50% → 55-60%

pre-COVID *post-COVID*

44% consumers will start/ increase online research

44%

Most prominent for 36-45 years segment

% respondents (post-COVID)[2]

Acceleration of existing trends, likely to last longer term

EMBRACING DIGITAL SERVICES & EXPERIENCES

PURCHASE

6 CONSUMERS WILL EXPECT HIGHER STANDARDS OF HYGIENE AS THEY RETURN BACK TO STORES

50%

Consumers likely to return to shops/ malls within a few weeks, once the virus is 'under control'

% respondents (post-COVID)[3]

57%

Consumers globally want retailers to focus on high standards of store hygiene, once the lockdown is over

Similar behavior expected in India

% respondents (post-COVID)[4]

Consumers will need new norms to alleviate their concerns and make them comfortable in-store

New habit, stickiness unclear

SUPERIOR HYGIENE & CLEAN LIVING: A NEW NORM

1. Estimation for 2021 from expert interviews and BCG CCI Digital Influence Study 2017 analysis (N=18,000 per year), 2. [BCG COVID-19 Consumer Sentiment Survey, Question Text: " Which statement best describes your online research behavior before buying these types of products?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 3. [BCG COVID-19 Consumer Sentiment Survey, Question text: "If coronavirus were to be under control, after how long do you think your spending would return to normal i.e., similar to before the Coronavirus outbreak?" Excludes those who never did the activity before Coronavirus?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 4. BCG COVID-19 Consumer Sentiment Survey, April 17–20, 2020 (N = 5,729 across China, Germany, Italy, UK, and US; unweighted)

Consumer Behavior Change in P2P: **Purchase**

PURCHASE

7 SURGE EXPECTED IN PREFERENCE FOR ONLINE APPAREL SHOPPING

40% Consumers are planning to increase online spend on apparel

% respondents (post-COVID)[2]

1.3x Increase in the number of consumers buying apparel online

Increase in respondents (post-COVID)[1]

90% Consumers who have purchased apparel online during the lockdown and are willing to continue

% respondents (post-COVID)[3]

8 CONSUMERS WILL NEED FEEL/FIT/SOCIAL EXPERIENCE ALONG WITH A NEW NEED FOR CONTACT-LESS CONVENIENCE IN SHOPPING

Traditionally, there have been 3 key barriers to online purchase of apparel[4]

1. Ability to Touch-Feel
2. Assurance to Fit
3. Experience of shopping in group

Consumers will be more open to models like omni-channel/digital innovations, which fulfil their core needs along with new need to socially distance

Acceleration of existing trends, likely to last longer term

ACCELERATED ADOPTION OF E-COMMERCE AND O2O

1. [BCG COVID-19 Consumer Sentiment Survey, Question text: " In the next 6 months, how do you expect your online spend for the following types of products to change?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 2. [BCG COVID-19 Consumer Sentiment Survey, Question text: "Which statement best describes your usage behavior since the Lockdown?] April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))],3. [BCG COVID-19 Consumer Sentiment Survey, Question text: " You mentioned that you have started online purchase of apparel since the Lockdown. How likely are you to continue purchasing apparel online even after the Lockdown gets lifted ?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))], 4. [Fashion Forward 2020, BCG & Facebook Report

Consumer Behavior Change in P2P: **Post Purchase**

POST PURCHASE

9 CORE NEED FOR PEER RECOMMENDATIONS IN APPAREL SHOPPING MAY BE FULFILLED DIGITALLY, WITH GROWING VIRTUAL CONNECT

1 in 2

Consumers rely on peer recommendations and reviews to buy apparels

% respondents (pre-COVID)[1]

40%

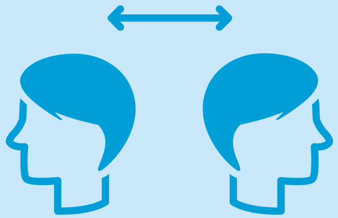
Consumers on social media learn about products across categories through influencers

% respondents (pre-COVID)[2]

52%

Consumers have increased use of social media

% respondents (post-COVID)[3]



With more time on social media, impact of digital influencers and recommendations will become more important

New habit,
stickiness unclear

REMOTE WAY
OF LIVING

Turn the Tide
Unlock the new normal

1. [CCI Survey and BCG analysis, Question Text: Which of the following sources of information influence your decision the most for purchase of apparel?, Source: CCI Survey and BCG analysis], 2.[Mobile Marketing Association India Mobile Marketing Ecosystem Report 2020], 3.[BCG COVID-19 Consumer Sentiment Survey, Question Text: " Which statement best describes your usage behavior across the following areas?", April 30-May 03 2020 (March 23-26, April 17-20 2020, April 30-May 03 2020 (N = 2,106, N = 2,324, and N=1,327 respectively))]

THE NEW NORMAL FOR APPAREL CATEGORY WILL SEE A NEW PATHWAY

WHAT WILL IT TAKE FOR YOUR BRAND TO WIN CONSUMERS?

The new pathway is changing and filled with opportunities

PRE-PURCHASE

Digital proliferation with more functional shopping

PURCHASE

Expectation of delivering core shopping experience while meeting changing needs

POST PURCHASE

Opportunity to strengthen advocacy to build aspiration

Portfolio & Messaging

Strengthen Brand Proposition
Tweak messaging and portfolio focus to play in targeted micro-markets

Channel & Engagement

Capture the expanding online wallet
Win disproportionate share of new online adopters and aggressively retain customers

Value Focus

Tap the Here & Now opportunity: Induce and Incentivize purchase to deliver value

Presence & Influence

Adjust to the new normal of engagement: Significantly redesign your digital engagement with customers

Turn the Tide

Unlock the new normal

Digital proliferation with more functional shopping

PRE-PURCHASE FUNNEL

Embracing digital services and experiences

Shopping for Utility

1

Bring alive discovery with digital

- During **product discovery** across channels improve awareness & accessibility
- Leverage digital capabilities, e.g. **virtual fashion shows, product live streaming, improved catalogs on own websites**

2

Build social connect and leverage influencers

- Build surround with branded content from creators & publishers
- Strengthen relationship with **fashion influencers and fashion review websites**

3

Create personalized engagement @ scale

- Leverage social media for **relevant seasonal or promotion led campaigns**

4

Drive digital retargeting

- Leverage digital and dynamic advertisements for **retargeting prospective consumers**

5

Hyper targeting with contextual messaging

- Deliver consumer segment appropriate messaging basis their interest and highlight portfolio accordingly, e.g. **comfort looks, lounge wear, WFH wear, high quality, made in India**
- Accelerated role of **regional/ vernacular**

Medium Term Short Term

Expectation of delivering core shopping experience while meeting changing needs

PURCHASE FUNNEL

Accelerated adoption of e-com. and O2O

Superior Hygiene & Clean Living: A New Norm

Strive for health & wellness

Remote way of Living

Trading down and bargain hunting

6

Win online with changing consumer needs

- Re-imagine pathways and selling model; Explore variants like **O2O, conversational commerce, group / community shopping**

7

Bring alive experiences with assisted shopping

- Leverage **chatbots / assisted shopping tools** to enable shopper decide as they browse the catalog

8

Replicate In-Person experiences

- Digital innovations like AR/VR/Filters to solve "touch-and-feel" barrier

9

Revamp in-store experience

- Setup **safety measures and institute new SOPs** in stores to alleviate key concerns around hygiene

10

Optimize Portfolio for Value creation

- Segmenting consumers to drive differential value
- •Showcase value for money: discounts, bundles

11

Relook Media Mix Model to build efficiency in acquisition

- Align to new media landscape
- Catalogues for prospecting customers for adjacent categories

Medium Term Short Term

Turn the Tide
Unlock the new normal

Opportunity to strengthen advocacy to build aspiration

POST PURCHASE FUNNEL

Remote way of Living

12

Strengthen consumer engagement

- Incentivize **social peer recommendation** to create post purchase advocacy
- Invest in innovative **loyalty programs** to drive engagement, e.g. exclusive preview to the incoming designs

13

Drive value by repeat purchase and consumer up-trade

- **Re-target existing consumers** with related products, e.g. pant buyer retargeted with tops/ accessories
- Explore **subscription services** for buying and trying clothes, as shoppers avoid brick and mortar stores

Medium Term   Short Term

Pre-Purchase

Brand Showcase

Hyper targeting with contextual messaging

Lifestyle

Introduced a **WFH Journal** to position collections across all categories as WFH on **own website**[1]

Peter England

Summer collection at Peter England is going with the tag line **"Keep it stylish while working from home!"**[1]

Whatever Inc

Launched **WFH jammies**, which are a combination of pajamas and a formal shirt[2]

Fable Street

Formal wear brand **pivoting to no stain clothing** to indicate longer duration clothing[1]

Bring alive discovery with digital

Shanghai Fashion Week

Virtual Fashion Show: Partnered with B2C online retailer to livestream the fashion event & panel discussion and sell directly[3]

Nike

Live Streaming Content: Live streamed workout videos, training programs and expert tips from trainers[4]

Adidas

Online Launch: Live streamed the launch of flagship superstar sneakers using digital influencer[5]

Myntra

Customized Catalog: Allowed consumers to save their favorite looks in the wish list and sent personalized content[6]

1. Press Search: [Times of India] [Apparel makers push WFH dressing}, 2. Press Search: [BoredPanda][These 'Work From Home' Jammies Designed By A Japanese Company Are Perfect For Your Zoom Calls], 3. Press Search: [Fashion United] [Shanghai Fashion Week: The first entirely digital fashion week], 4. Press Search: [Mobile Marketer][Nike offers workout app for free as COVID-19 keeps people indoors], 5. Press Search: [Chines Website][Adidas Tmall Super Brand Day To Build Live Online Live On Monday, More Than 2 Million People Watching], Press Search:{[Inside Retail][Livestreaming in China booms during coronavirus crisis],6. Company Website, Press Search" [Quartz India][A simple promise helped some of India's niche e-tailers tide over the Covid-19 lockdown], Press Search: [Economic Times], [A simple promise helped some of India's niche e-tailers tide over the Covid-19 lockdown]

Purchase

Brand Showcase

Win online with changing consumer needs

PEACEBIRD

Launched **online store** with multi purpose **messaging app** and offered flash sales[1]

Bring alive experiences with assisted shopping

BURBERRY

Leveraged **AR/VR** for **virtual try on** and purchase[2]

Replicate In-Person experiences

PRADA

Used sales associates driven **assisted shopping** for product recommendations[3]

1. Press Search: [Vogue Business][China's e-commerce proves resilient under Covid-19], 2. Company Website, 3. Press Search: [Forrester] [Luxury Brands' Three Best Practices In Coping With COVID-19]

Post Purchase

Brand Showcase

Strengthen consumer engagement

- **Koovs** incentivized post purchase advocacy with gift vouchers/ coupons
- **Shoppers Stop** delivered e-Gift voucher allowing consumers to engage with their loved ones

Drive value by repeat purchase and consumer up-trade

- **Lime Road** directly offered gold membership with a certain amount of purchase
- **Street Style Store** provided vouchers on reaching a certain number of followers on social media

Source: Company Website, Instagram

There is Advantage in Adversity

Brand that tailor strategies to the new pathways will emerge winners

Turn the Tide

Unlock the new normal

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