

Clothing Retailing - UK - October 2010

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What is this report about?

There is more choice than ever before in the UK's clothing mass-market. But the retail landscape is about to change as the deflation of the last decade comes to an abrupt end. Raw material prices, freight and labour costs (particularly in the Far East) are rising and, coupled with the impending VAT increase and unfavourable foreign exchange movements, clothing prices on like-for-like items are expected to rise by at least 5% next year.

2011 will also be tougher for consumers as disposable incomes are squeezed and with youth unemployment high and rising more of this demographic could be forced to trade down to value operators while older consumers will seek out durability and overall value for money. The family shopper will remain the most compromised of all and already shows signs of being the canniest of consumers.

What have we found out?

- More than one in three people (39%) have been spending less on clothes this year than last equating to around 20 million adults. However, one reason people may feel they are spending less this year is because deflation has eased which could mean they've bought fewer items but spent about the same amount of money.
- Mintel's consumer research shows that mail order and the internet actually made the most progress in 2010 by a long way (along with New Look). The internet has growing appeal for a range of different reasons including greater choice, more players (Zara, H&M and Gap have all moved online this year), a better service proposition and competitive prices.
- Multichannel operators have proved the most successful online, accounting for 8 out of the largest 10 sites by visitor numbers. Pureplay retailers face increasing competition, however opening strategically located pop up shops might be one way for pure players to develop some cross functional facilities.
- Interest in and the influence of m-commerce and social media in multi-channel retailing remains low at present. But this is expected to change as smart phone penetration is rising fast and retailers are looking closely at how best to engage users through these mobile devices.
- Despite the growing popularity of the online channel, a sizeable majority still prefer to browse in-store rather than on the internet. But in terms of advice and tips, similar numbers of consumers now use the internet as referring to store assistants.
- A majority of adults (82%) claim to make their clothes last - we think the disposable fashion trend could have peaked and 2011 may see shoppers reassessing value for money and putting more emphasis on sustainability, integrity and durability of clothing.

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