



WOMEN'S APPAREL

CURRENT TRENDS

- **Deal Notes:** A recent disposition of a national chain of women's apparel stores generated a stronger performance in strip mall and street front locations than in enclosed mall locations
- E-commerce outperformed brick-and-mortar stores in holiday sales, with smartphones aiding website traffic
- Retailers are expanding offerings to stay relevant and drive customer traffic into stores
- Niche offerings like slow fashion and secondhand clothing are gaining traction in the industry as consumers look to practice more sustainable lifestyles

PROJECTED VALUES (12-MONTH OUTLOOK)



APPROXIMATE NET RECOVERY ON COST

85-100+%

high-end designers

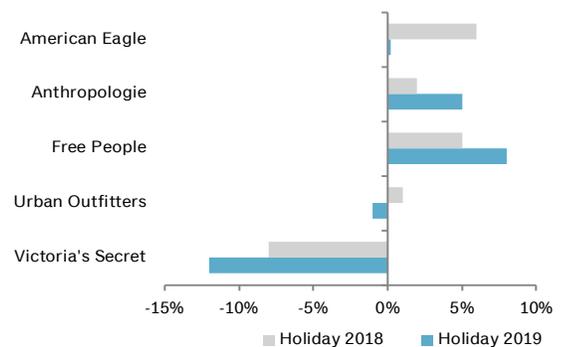
85-100+%

private label

65-85%

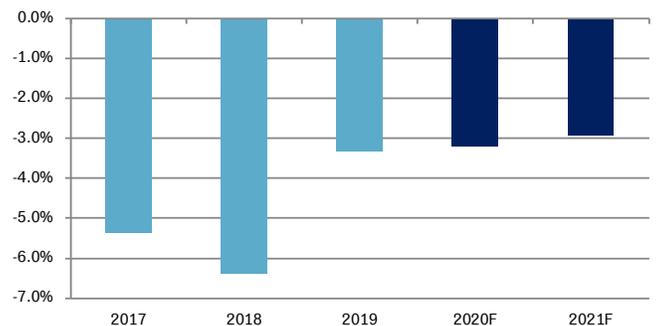
off-price

CHANGE IN SAME-STORE SALES (HOLIDAY 2019)



Source: Investor Relations

WOMEN'S CLOTHING STORES U.S. REVENUE GROWTH



Source: IBISWorld

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HOLIDAY E-COMMERCE OUTPERFORMS BRICK-AND-MORTAR: The 2019 holiday shopping season yielded mixed results, with e-commerce sales outpacing brick-and-mortar stores. Overall, holiday sales were steady, increasing 3.4 percent as compared to the 2018 season; however, they failed to surpass last year's total growth of 5.1 percent over 2017. Some blamed the lackluster figures on a shorter shopping season, defined as the period between Thanksgiving and Christmas, which was six days shorter than 2018. Department stores in particular experienced poor sales, declining an estimated 1.8 percent, while online sales grew 6.9 percent. Nevertheless, the overall positive selling season benefited from record-breaking e-commerce sales, according to Mastercard, Inc. Holiday shoppers are spending more and more money online, evidenced by a reported 18.8 percent increase in e-commerce sales over 2018. For the period of November 2 through December 24, 2019, e-commerce represented 14.6 percent of total retail sales. Adobe Analytics reported that online spending during this time totaled \$142.5 billion. Of that, an average of \$2.3 billion was spent per day, up from \$2.1 billion in 2018. Smartphones accounted for 58 percent of traffic to websites and 84 percent of the holiday season's e-commerce growth. Purchases via smartphones accounted for a record-breaking \$50 billion in sales, an increase of 14 percent over 2018.

Overall, online consumers spent 17 percent more on apparel, 8.8 percent more on jewelry, 10.7 percent more on electronics, and 6.9 percent more on department store websites. Although apparel was the highest-performing e-commerce sales category, the overall sales increase for apparel was just 1 percent when including the under-performing brick-and-mortar sales. Aided by rising per capita disposable income, increased consumer spending, and wage growth, overall retail sales, excluding auto and food, were up 3.6 percent year-over-year. However, the women's apparel industry continues its downward decline, partly because of mounting competition from bargain outlets and online retailers, as well as shifting consumer preference. IBISWorld research indicates that revenue for the women's clothing stores industry is expected to decrease at annualized rate of 3.5 percent through 2024. In terms of competitors for online women's fashion, Amazon remains one of the largest threats with total net sales of almost \$70 billion during the third quarter of 2019, up from \$63.4 billion in the preceding quarter. According to RetailDive, Amazon plans to create its own luxury apparel platform and develop its own private-label clothing in 2020.

APPAREL STORES STRUGGLE TO DRIVE SALES: The ongoing wave of depressed sales and store closures has been called the "apparel apocalypse" and holiday 2019 proved to be more of the same for some women's apparel retailers. Retailers L Brands, Inc., and New York & Company both reported a difficult holiday season. L Brands' net sales dropped to \$3.9 billion from \$4.1 billion for the nine-week holiday quarter ended January 4, 2020 over 2019, as comparable sales decreased 3.0 percent. L Brands' Victoria's Secret brand experienced a dismal holiday season, with quarter-to-date comps falling 12 percent as a result of decreased traffic from the mid-teen demographic and low margins driven by increased promotions. New York & Co. cited decreasing store traffic and increased discounting as the reasons behind its disappointing holiday sales.

However, not all women's apparel stores struggled, as Adobe Analytics reported clothing as the best-performing category for holiday gifts,

which increased 1.6 percent for December over November, benefiting from strategic promotional campaigns. December 2019 sales benefited significantly from record-breaking sales on Cyber Monday and the Sunday after Black Friday. Cyber Monday alone attained \$9.4 billion in sales, up 19.0 percent over 2018. J.Jill, Inc., Urban Outfitters, Inc., and Abercrombie & Fitch each experienced positive figures at year-end 2019. J.Jill announced the increase of its sales and earnings guidance for fourth quarter 2019, reporting better-than-expected quarter-to-date sales. Urban Outfitters' sales for the two months ending December 31, 2019, increased 2.9 percent year-over-year. By banner, retail sales increased 8 percent at Free People, 5 percent at the Anthropologie Group, and decreased 1 percent at Urban Outfitters. Abercrombie & Fitch reported record Black Friday sales with fourth quarter 2019 comparable sales up 2.0 percent.

Several women's apparel and specialty retailers announced recently-completed or planned closures of under-performing stores including Chico's, White House Black Market, Soma, Destination Maternity, The Gap, and Forever 21. Following a bankruptcy filing in September 2019, Forever 21 closed over 100 stores in the United States and most of its stores in Asia and Europe, reporting decreasing foot traffic and sales. As of the date of this publication, the bankruptcy court planned to approve a bid to purchase the company submitted by SPARC Group F21, LLC, a consortium of Simon Property Group Inc., Brookfield Property Partners LP, and Authentic Brands Group. Approval of the transaction will give the buyers the right to close additional stores in 2020; however, no additional store closings have been finalized. Following bankruptcy filings, additional women's apparel retailers have completed or are in the process of closing all locations, including Charlotte Russe, Barneys New York, Charming Charlie, ShopKo, and Avenue Stores. Ascena Retail Group closed over 500 stores under its Dressbarn banner, while other retailers are downsizing to avoid bankruptcy, such as mall-based Express, which announced a 10-percent cut in its corporate workforce in an effort to be more operationally efficient.

SLOW FASHION, SECONDHAND, AND ADAPTIVE CLOTHING GAIN

MOMENTUM: "Slow fashion," an approach that considers the processes and resources required to make clothing, has gained prominence in recent years. It involves buying long-lasting, high-quality apparel and values fair treatment. It also emphasizes the art and skills of the craftspeople who make clothing. According to Digitalcommerce360, 87 percent of U.S. millennials are willing to pay more for sustainable clothing, as evidenced by the Instagram hashtag #slowfashion yielding over 5.5 million results.

Amid success in the off-price market, second-hand and rental retailers are also gaining popularity, with companies like thredUP, The RealReal, Poshmark, Rent the Runway, and Nuuly leading the way. According to GlobalData, resale has grown over 20 times faster than the retail apparel market since 2017, gaining the most traction among baby boomers and millennials. In addition, the environmental benefits are enticing to consumers interested in reducing carbon footprints. As the world continues to recognize the benefit of progressive ideas and a greener culture, retailers have begun to make adjustments and expand their offerings in order to meet the needs of a wider range of customers. Sustainability and inclusivity are two major themes that specialty apparel retailers such as J.Crew (recycled denim), Reformation (green fashion), and Abercrombie (gender-neutral clothing) are pursuing.

Adaptive clothing lines have also seen a surge in popularity. Tommy Hilfiger, Nike, and Target have all added merchandise that caters to disabled customers and includes Velcro straps, adjustable hems, and magnetic buttons to facilitate the ease of the dressing process. J.Crew joined other retailers in expanding into plus sizes to draw a more diverse range of customers into stores. Aerie has drawn praise with body positive messaging in its AerieREAL campaign that includes plus size and disabled models with no retouching. The company is hosting its first ever AerieREAL Summit in March 2020 in celebration of International Women's Day. Brands that have been slow to adapt to this new standard of inclusion, like Victoria's Secret, have faced backlash and declining sales.

The Expert: Becky Goldfarb



Bringing over 15 years of experience in the disposition and valuation of retail and consumer products, Becky Goldfarb oversees all aspects of retail asset valuations. Prior to that, Becky was responsible for the financial analysis of retail dispositions across all industry sectors. Read her full bio [here](#)



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