

RETAIL

Retailers take back pricing power in new shopping era: report

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Luxury retail is hitting its stride, according to new research. Image credit: Saks Fifth Avenue

By NORA HOWE

Luxury fashion retailers may be entering their "Roaring Twenties" period as they leverage increased demand for high-quality products and a consumer market willing to pay top-dollar.

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According to retail data and pricing analytics firm [DataWeave](#), there are three major trends occurring within the luxury retail landscape: an increase in handbag sales; willingness to pay full-price for products; and investments in fashion pieces as status symbols indicating consumption habits are shifting from essential to desirable. Further, retailers who track real-time marketplace insights and analyze shopping behavior will be able to stay ahead of market trends, serving the dynamic demands of their customers.

"The ability to track real-time marketplace insights can help enable a first-to-market strategy, while having access to historical patterns can also help retailers react faster to future market conditions such as store closures," said Krishnan Thyagarajan, president and chief operating officer at DataWeave.

"These types of insights not only provide navigation through chaotic times like a pandemic, but also support day-to-day operations enabling retailers to accelerate their ecommerce growth by helping them monitor, analyze and determine systems to increase sales and share, distinguish their online strategies, discover efficiencies and drive profitable growth in an intensifying competitive environment," he said. "Ultimately only the digital-savvy retailers will thrive while others will always be in catch-up mode."

This report contains DataWeave's insights tracked within the retail luxury space, beginning November 2019.

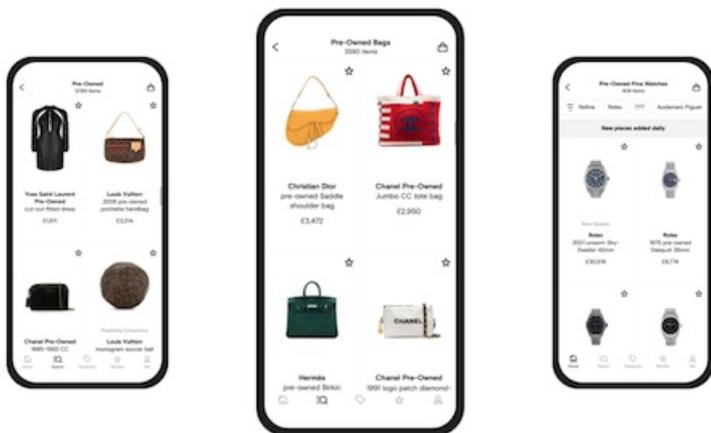
Luxury retail in vogue

While it is unclear how long increased prices will remain, inflationary trends have been spiking since early 2021. The June 2021 [U.S. Consumer Price Index](#) showed the price of clothing rising 5.6 percent year-over-year, the highest price inflation since August 2008.

Fueled by high savings and increased disposable income, retail experts have seen a shift toward luxury spending and predict strong consumption of luxury goods through the holiday season, which also may be contributing to price

increases and product availability.

Additionally, ecommerce accounted for **46 percent** of total U.S. apparel sales in 2020, and luxury was responsible for **29.5 percent** of total U.S. fashion sales in 2020.



Online shopping continues to push retail sales forward. Image credit: Farfetch

According to DataWeave, fashion retailers must adjust their digital strategies and invest in data-driven solutions to capitalize on this positive trajectory of luxury fashion.

"All luxury retail, including apparel, must invest heavily in technology to win in the new marketplace," Mr. Thyagarajan said. "Every aspect of the business now lends itself to digitization and it is the underpinning on which agility is built.

"The velocity of everything from new brands, volume of new products, entry of new competitors to product life cycles are accelerating," he said. "This calls for the ability to track and assess successes or failures of product launches, assortments, pricing and promotions, based on quick analysis of data and making course corrections whenever needed."

As supply works to keep up with rising demand, gone are the days of discounts. In fact, consumers are more willing to be placed on waiting lists to pay full price for coveted luxury items.

For instance, there has been a significant decline in promotional activity for Louis Vuitton products on Farfetch.com.

Before the pandemic, nearly 92 percent of Louis Vuitton accessories were discounted on the retailer's site. In 2020 this number fell to 37 percent, and by 2021 not a single Louis Vuitton accessory on Farfetch was discounted.

Assortment quantities are shifting rapidly as well.

From October 2019 to October 2020, there was a lift from 23,195 to 49,870 stock-keeping units (SKUs) in the \$200-\$500 category and 32,122 to 43,401 in the over-\$500 category. From January 2020 to January 2021, there was an even more dramatic lift from 19,169 to 110,643 SKUs.



Younger consumers are influencing brand and retailer inventories. Image courtesy of The Edit LDN

DataWeave suggests brands learn what searches are trending, what consumers are looking to buy, which prices and promotions are landing with the consumer and which are not and what their competitive position is at any point.

With the upcoming holiday season, the analytics provider advises luxury retailers to increase their understanding of the dynamic market so they can get their orders right and on time, send out promotional material at the appropriate times and stock the right merchandise in the right locations.

Millennials are luxury influencers

Luxury shoppers are getting younger, and by 2025, millennials will account for 50 percent of all luxury sales, according to DataWeave.

Millennials are currently driving demand within luxury footwear in particular, moving away from handbags to embrace designer shoes as status symbols.

The demand for sneakers is growing rapidly, and the \$6 billion marketplace is expected to grow by five times by 2030. Last week, British department store chain Harrods partnered with luxury sneaker and streetwear consignment store [The Edit LDN](#).

The Edit LDN sells some of the world's most coveted sneakers from brands including Yeezy, Jordan and Off-White, connecting resellers with a highly engaged and passionate community. Items from store, which has established itself as a trusted source of authenticated and high quality new and pre-loved streetwear and sneakers, are now available to Harrods shoppers ([see story](#)).

Farfetch claims that nearly three-quarters, 73 percent, of its customers are either Gen Z or millennials, with 27 percent of these shoppers having children at home.

As millennial and Gen Z consumers grow up and become parents, they have different shopping behaviors and priorities than other generations. As a result, 46 percent turn to social media for ideas about children's clothing trends ([see story](#)).

With the 2021 holiday shopping season quickly approaching, DataWeave believes competition will intensify to gain millennials' attention as online shopping events and promotions start earlier to avoid supply chain strain, including shipping delays and out-of-stocks.

"Millennials & Gen Z are driving a big part of the demand," Mr. Thyagarajan said. "They have growing disposable income and the ones in tech, especially, have seen phenomenal growth in wealth through stock options."

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