

**2020
COVID-19
IMPACT
REPORT**



COVID-19 AND THE IMPACT TO APPAREL E-COMMERCE

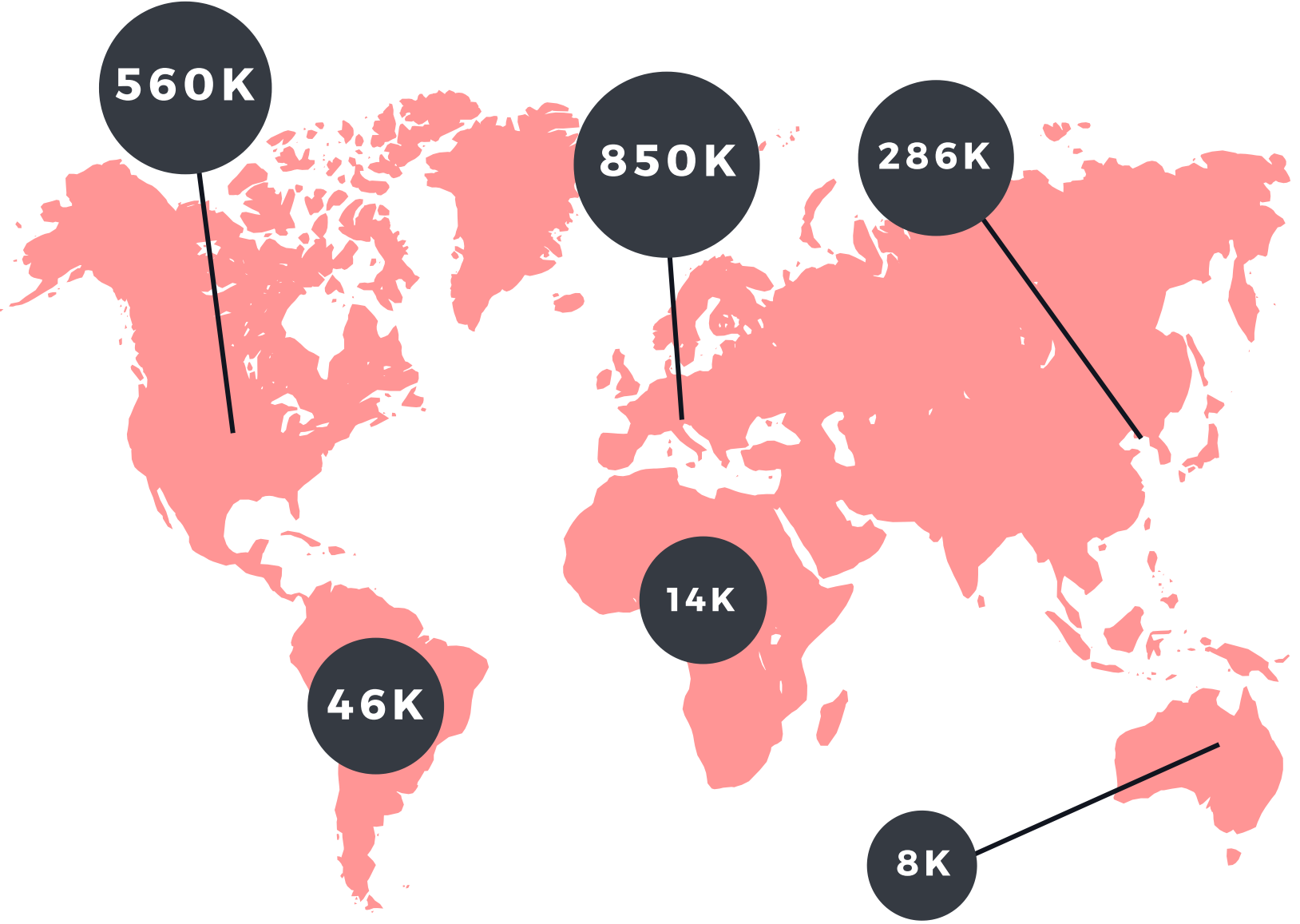


Our perspective

The Covid-19 pandemic continues to grow with global confirmed cases topping 1.7M and 100K deaths as of April 11, 2020. Some regions have a handful of cases, others with early community transmission have a few hundred, and those with widespread transmission have tens of thousands.

Countries and territories have launched unprecedented responses: lockdowns, closures of schools, stores and restaurants, and non-essential employees working remotely. These community measures now impact a third of the global population in an effort to slow the spread. The pandemic situation evolves daily and businesses are pivoting their strategic efforts online to balance out the massive effects, as retailers are being physically distanced from their consumers.

In this report, we share our latest insights, starting with the initial impact to the global apparel e-commerce business. We will also present our observations on purchasing behaviors and projections that will affect apparel returns for both e-commerce and omni-channel retailers.



GLOBAL VIEW

The coronavirus COVID-19 is affecting 210 countries and territories around the world.

First Quarter

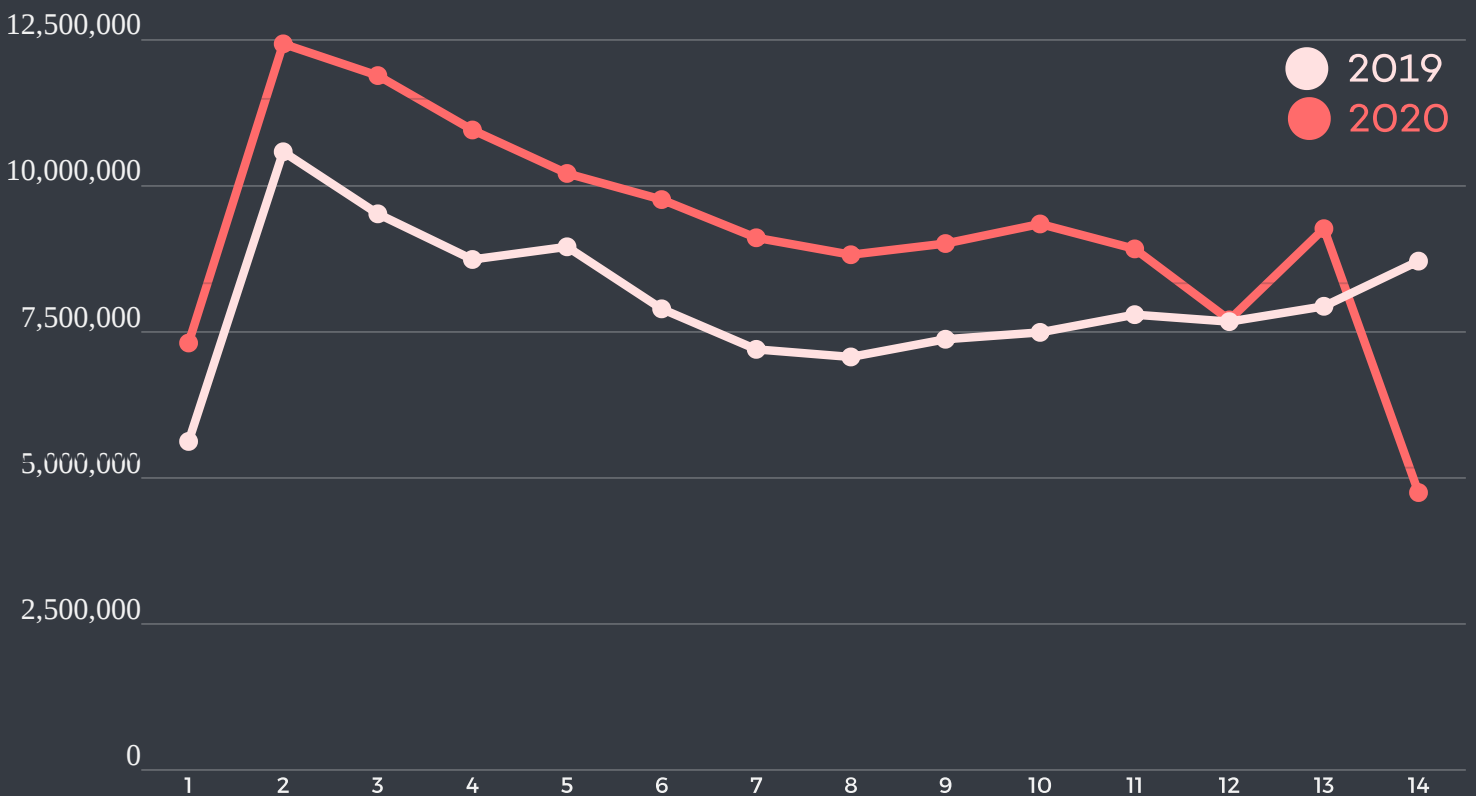
E-COMMERCE PURCHASES

Overall sales have followed a similar trend to LY and held an increase (purchases up +27%) over last year consistently so this is optimistic for global e-commerce.

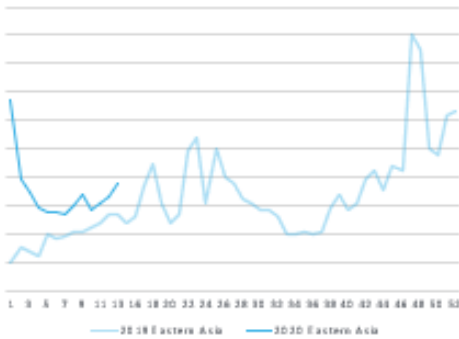
+27%
Purchases, 1st Quarter 2020

+11%
Purchases, March 2020

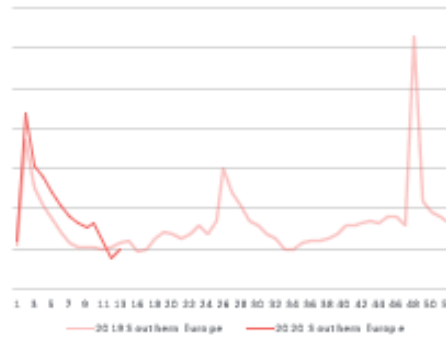
Weekly Purchase Trends 2019 vs 2020



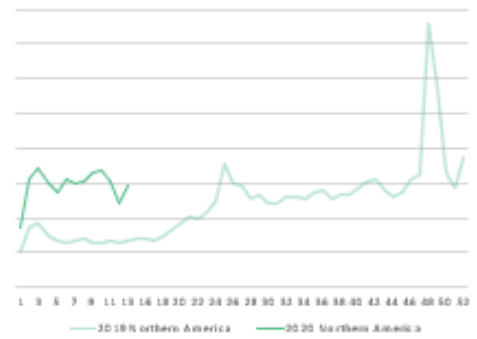
Eastern Asia Purchases 2019 vs 2020



Southern Europe Purchases 2019 vs 2020



Northern America Purchases 2019 vs 2020



REGIONAL IMPACT

We know that COVID-19 has impacted the entire world, but at different times and spreading at different rates.

Reviewing the countries hardest hit by COVID-19, we see similar purchase trends in January and February 2020 to that of 2019 - aside from the US which fell relatively flat in 2019 and show much more volatile buying behavior this year. Our insights show that in March, just as businesses closed their doors and people stayed home in Italy (March 9), Spain (March 14), and the US (March 23-30) - there was a decline in purchases made.

- The virus started in East Asia and the region immediately saw the effects. In 2019, Eastern Asia increased the number of purchases by 36% from January to February and 27% from February to March. This year, likely due to COVID-19, Eastern Asia saw a decrease of 26% over the same period from January to February, and another decline of 3% from February to March.
- North America, on the other hand, did not start to see a quick spread of the virus until March. We can see that North America had an 11% lift in February 2020, unlike the 11% decline compared to last year. In March, however, North America was widely affected by COVID-19 and purchases dropped by 16%. As of April 7, 95% of Americans have been ordered to stay home. We expect to see similar trends throughout the month of April.
- Southern Europe was hit the hardest in the middle of March, falling in line with the lockdown of Italy and spread of COVID throughout the country. The region saw declines of 36% and 43% respectively as the number of COVID-19 cases quickly increased.

Regional COVID-19 Impact

January and February 2020 as the pandemic spread some regions were harder hit before making the drastic decisions to make store closures and issue lockdown orders. Here is a snapshot of the top 4 countries impacted by COVID-19

USA

- January 20, 2020: First known case of COVID-19 in US
- March 19, 2020: California is first state to declare a "stay-at-home" order
- March 26, 2020: COVID-19 cases surpass all other countries

ITALY

- January 30, 2020: WHO declares a global health emergency
- February 21, 2020: COVID-19 Outbreak
- March 8, 2020: 60 Million Italian residents placed under lockdown

SPAIN

- January 31, 2020: First known case of COVID-19 in Spain
- March 14, 2020: Spain declares state of alarm is placed under lockdown
- January 30, 2020: WHO declares a global health emergency

CHINA

- December 2019: First known case of COVID-19
- January 23, 2020: Wuhan, China is placed under quarantine
- January 30, 2020: WHO declares a global health emergency

The Positive Effects on Multiple Size Ordering

With countries on lockdown and people ordered to stay home, we witnessed a steady decline in size sampling - the practice of ordering more than one size due to fit uncertainty. We believe people are ordering less sizes due to stay at home orders and limitations on being able to return items.

Of the top 100 retailers, 19% have temporary return policies during the pandemic. They've either extended the time shoppers have to return items or, in some cases, eliminated the policy altogether. Even with these changes, it appears that consumers are still skeptical of purchasing additional sizes at the moment.

This could foreshadow a positive impact on costly apparel returns. With multi-size buying, one item is guaranteed not to fit and therefore leads to a return being made.

It follows from this that when large multi-size orders are made, this has a negative and expensive impact on returns. On the other end of the spectrum, with consumers purchasing less sizes per product, this has a favorable effect on apparel returns.

The percentage of orders with multiple sizes of the same item declined by 15% in 2020 compared to the first quarter of last year. The share of multi-size orders started down 4% YOY with rates remaining relatively flat (between 3.5% and 3.7% share) through the first 2 months of the year compared to the incline that occurred in February 2019. In March 2020 we experienced a significant decline of multi-size orders. With week over week declines, March ended down 39% to the 2019 share with only 2.8% of purchases having multiple sizes.

We've previously stated our data shows that the mandatory widespread lockdown across the globe, likely led to the decline that can be seen in size-sampling.

We've also attested that this could be because of limitations that have now arisen as a result of the pandemic, for e.g. some stores simply do not have the manpower needed to handle a return.

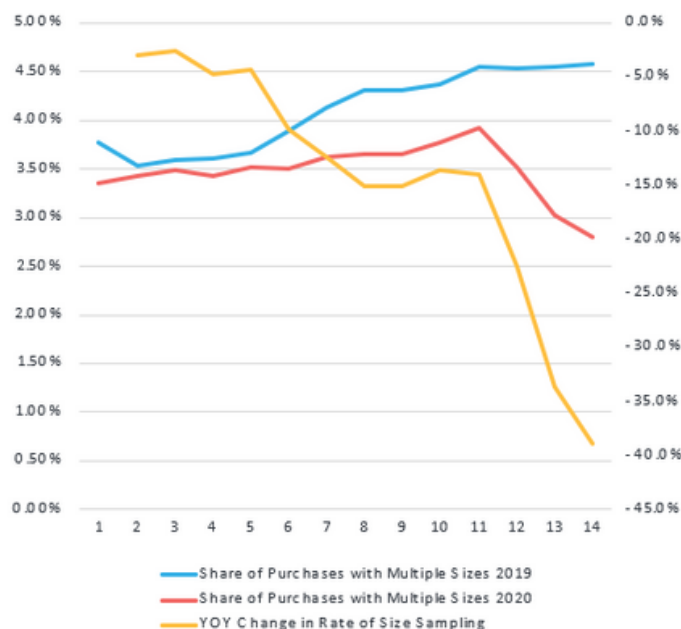
As a result of this, customers are aware that it's in their best interest to make sure they get the perfect fit with a single purchase, as opposed to buying different sizes of the same product in the hope that one fits well.

Based on this reasoning, we thought it would be interesting to evaluate how restrictions on making returns (brought on by the pandemic) have affected the customer's willingness to seek size advice

- to get a great fit that would lower the need to multi-size purchase. To do this we assessed shoppers' behavior towards finding the perfect fit using a size advisor tool like Fit Finder.

While we see a stronger impact on multi-size purchases that used Fit Finder (-17%), purchases made without Fit Finder also saw a decline (-13%) in size sampling. With a strong decline in the share of multi-size orders, we can expect a similar decline to returned orders - a benefit to the bottom line and the already overwhelmed distribution centers.

Share of Size Sampling Purchases Year over Year



Impact of Size Sampling on Omni-Channel Retail

Since omni-channel retailers typically have the option to shop online or in stores, we were curious to see what type of affect store closures (due to COVID-19) might have on their business.

We found that omni-retailers experienced a steady decline in online purchases in January and February: in line with 2019 - but at a steeper rate. Whereas e-commerce only retailers maintained flat purchase trends until March, where we saw a significant decrease.

This could be because customers that shop e-commerce only stores, may be more familiar with their size or more comfortable making purchases online. Whereas those who purchase in stores may feel the opposite. Due to the unfamiliarity, we can expect to see a contrast in multi-size orders between the two channels.

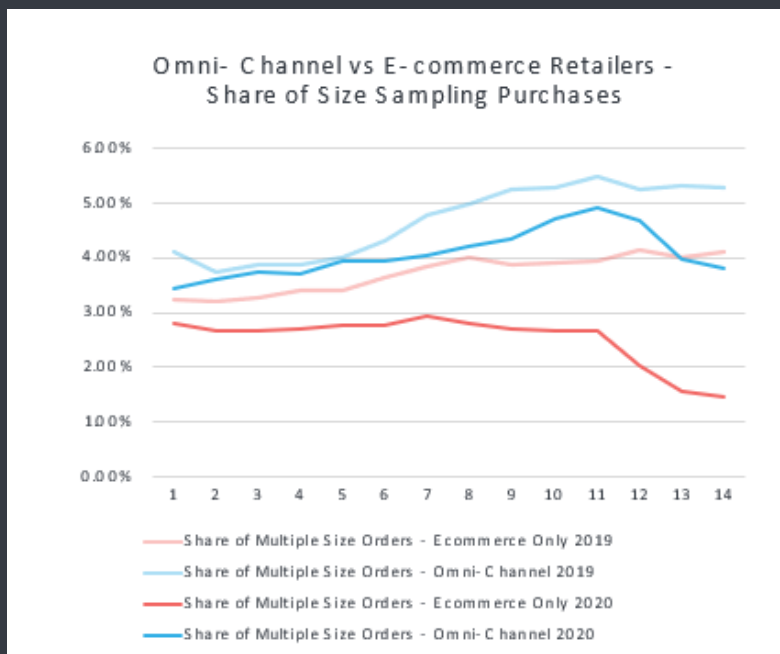
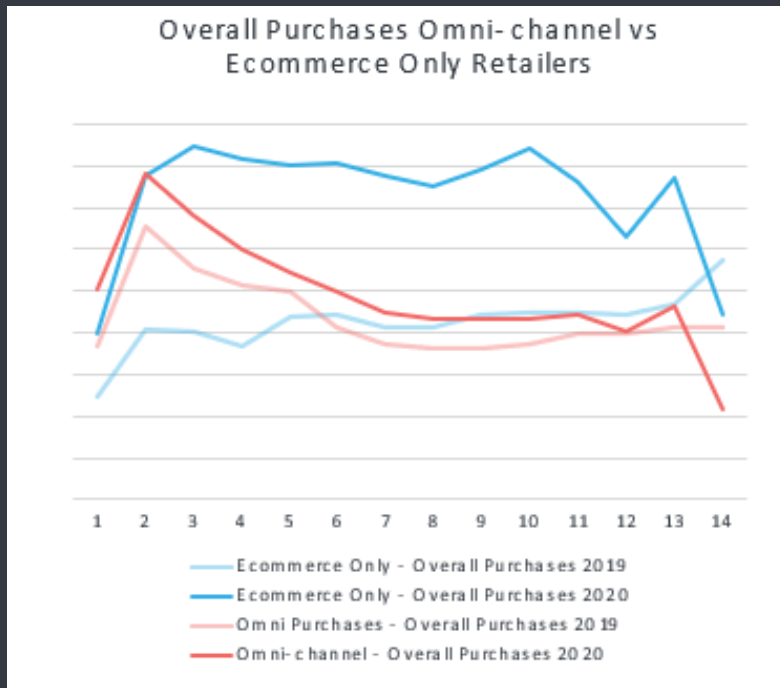
Looking at the data, we can see that multi-size purchases stayed relatively flat in e-commerce only stores but increased through early March for omni-channel retailers. This indicates that typical in-store shoppers were shopping online and perhaps not aware of our size advisor available to them.

We see both retail types drop in March likely due to the sudden uncertainty of returns with store closures and stay-at-home orders.

The purchasing trends for omni-channel retailers indicate the importance of the in-store experience for omni-channel consumers. It is apparent that store closures negatively impacted their online shopping, resulting in less purchases and more size sampling. The impact to omni-channel retailers is enlightening but it's not all doom and gloom. With technology and in-store innovations, bridging the gap between online and offline is becoming easier. There are options for keeping brick and mortar stores operational during these uncertain times - like same-day orders with BOPUS (Buy Online and Pick-Up in Store) and packing store merchandise for online shipping.

Once stores reopen, there may still be a level of caution as the memories of COVID-19 are fresh. Size technology available in-stores allows customers to be fully confident to search for their perfect fit in a more efficient and speedier way, without the risk of putting their health in jeopardy by trying on clothes in a fitting room which may or may not be fully sanitized.

Impact of Size Sampling on Omni-Channel Retail





-24%

*March 2020 decline to percent of
multiple size purchases*

+11%

*March 2020 increase in number of
purchases to March 2019*

FINAL THOUGHTS

Our initial insights on how COVID-19 is affecting the apparel e-commerce community has optimism. A shift from brick-and-mortar to e-commerce growth has been on the rise for the past decade, but now in absolute, current events are necessitating this strategy. What we have learned from the data is that the small, albeit important, silver-lining amidst the devastating blow to retail is that consumers are adapting daily to the changes and embracing new purchasing experiences. Store consumers are utilizing technology and apparel shoppers are overcoming their instincts to return.

The way that retailers in the fashion industry operate has seen little change—despite the innovations to apparel technology. What we predict and hope is that more retailers will truly embrace the omni-channel experience, conducting the digital world in stores and bringing the in-store experiences online.