

Understanding the Digital Fashion Retail Revolution



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Key Takeaways

- Certain online fashion retailers and e-commerce marketplaces are outpacing brick-and-mortar retailers.
- Product lines tied to online sales have experienced remarkable growth for fashion retailers like Abercrombie that have embraced the digital transformation.
- Companies like Crocs have successfully leveraged authentic digital marketing to connect with Gen Z consumers.
- Other brands like Lululemon have pushed generative AI and experiential retail to re-engage consumers seeking personalized shopping experiences.

Introduction

The announcement of SHEIN's plans to IPO on the London Stock Exchange has shed light on the radical transformation of the fashion retail space in recent years. SHEIN, valued at \$66 billion, is a global online fashion and lifestyle retailer headquartered in Singapore. Though SHEIN's fast fashion practices have recently come under public scrutiny, the company's inexpensive apparel and colorful, interactive user interface have made it a hit among Gen Z consumers.^{1,2} With brand recognition of 73%³ among online shoppers in the United States and a reported \$2 billion in 2023 profits⁴, it's clear that SHEIN - and online fashion retail - are here to stay. This raises the question: how are

leaders in the fashion retail industry distinguishing themselves in an evolving retail landscape?

We leveraged Syntax's proprietary FIS® classification methodology to analyze the growth of online retail product lines across key players in the fashion industry to find out.

Defining Online Fashion Retail & E-Commerce



Fashion e-commerce describes the buying and selling of fashion apparel over the internet. It encompasses multiple business models, including third-party marketplaces (e.g., Poshmark, Amazon), sales made via company websites, and mobile applications. Online fashion retail is a subset of e-commerce that describes the sale of fashion apparel through company websites. Some online retailers, like SHEIN, also operate third-party marketplaces.⁵

The History of Fashion Retail

The fashion retail industry has changed dramatically over the past few decades. Whereas fashion retail of the 1900s was defined by large department stores, “big box stores” like Walmart and Target, and specialty fashion retailers, the rise of online shopping and e-commerce presented consumers with new avenues to engage with their favorite brands.

Fashion e-commerce gained prominence in 1998 with Boo.com, a British e-commerce retailer.⁶ Companies like Net-a-Porter and Amazon soon followed suit. Over the course

of the early 2000s and 2010s, brick-and-mortar retailers struggled to keep up with a widespread consumer migration to online channels.

COVID-19 accelerated the already-underway digital fashion transformation. According to the Census Bureau's Annual Retail Trade Survey, e-commerce sales spiked 43% in 2020⁷. Though consumers returned to in-person shopping as stores reopened, the percentage of revenue from online sales remained higher than it was prior to COVID-19. In 2023, fashion e-commerce transactions accounted for over 40% of apparel market revenue in the United States, and the global fashion e-commerce market was valued at \$781.5 billion.⁸

With primarily-online fashion retailers, such as SHEIN and ASOS, putting up soaring revenues in recent years, it appears that fashion retailers' ability to survive and thrive in today's digital retail environment is contingent upon their ability to develop a strong online retail presence.

Understanding Abercrombie's Digital Transformation

Abercrombie & Fitch Co. (A&F) is one of the retailers leading the digital fashion revolution. A&F's stock price grew 285% in 2023, beating even tech goliath NVIDIA's 239% growth (Exhibit 1).⁹

**Abercrombie & Fitch Co. Stock Price
2004-2024**



Exhibit 1

This surge in stock price is linked to A&F's revenue growth of 16% in 2023. A&F has clearly adapted to the current digital retail environment; but how did this historically brick-and-mortar retailer navigate this transition so efficiently?

The proof is in the product lines. From 2019 to 2023, the percentage of A&F's revenue that is attributable to online sales nearly doubled from 33% to 60%.

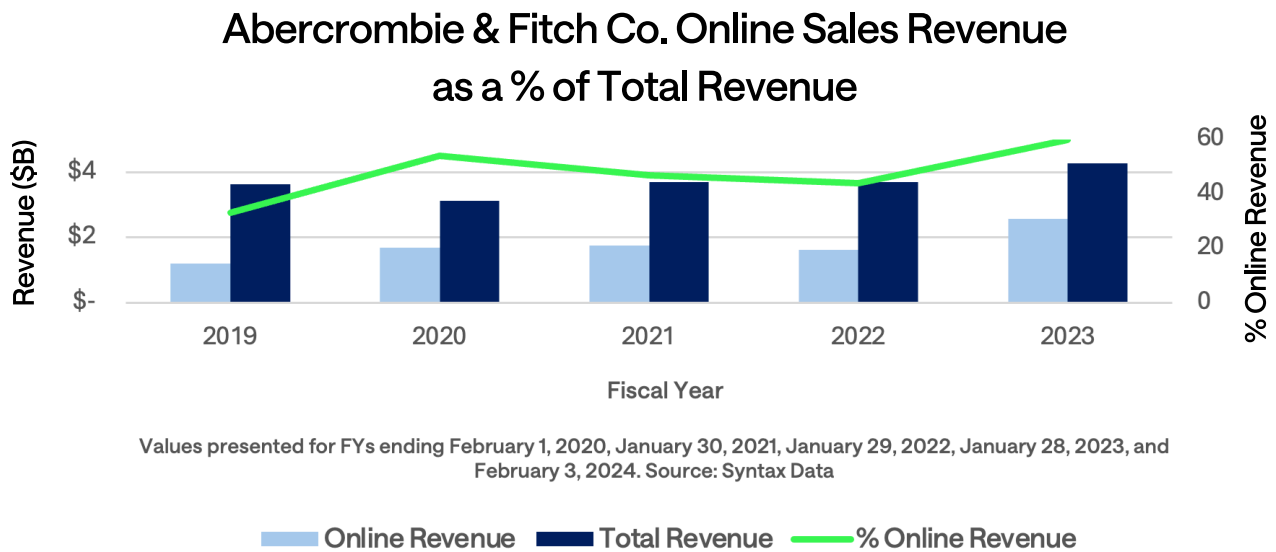


Exhibit 2

A&F's growth in online sales is evidence of the strategic shift that began when Fran Horowitz became CEO in 2017. In its Q4 2023 investor presentation, A&F is described as a "digitally-led omnichannel retailer" targeting millennials and Gen Z with millennial parents.¹⁰ This is strikingly different from the retailer's store-focused approach of prior decades.

A&F's newfound digital focus was accelerated by COVID-19. The percentage of revenue derived from online sales grew by 64% from 2019 to 2020, an increase from 33% to 54% (Exhibit 2).

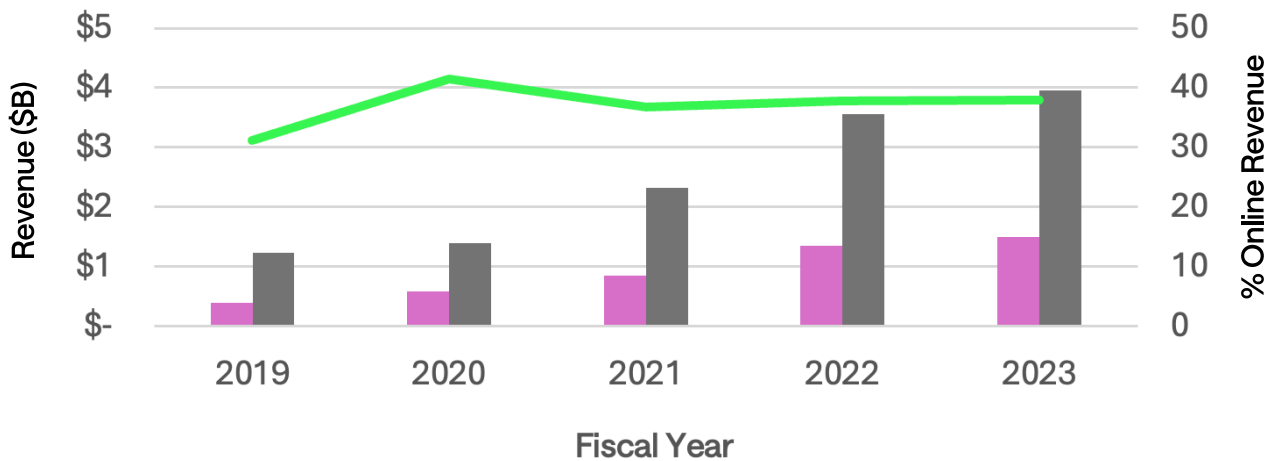
The Role of Digital Marketing: Crocs

Crocs is another example of a company that's online sales are driving overall revenue growth. From fiscal year 2019 to 2023, Crocs' total revenue grew by 222%, as the revenue derived from online sales grew by 292% (Exhibit 3). Revenue derived from online sales made up 38% of total revenue in 2023 compared to 31% in 2019.

crocs™



Crocs, Inc. Online Sales Revenue as a % of Total Revenue



Values presented for FYs ending December 31. Source: Syntax Data

■ Online Sales Revenue ■ Total Revenue — % Online Revenue

Exhibit 3

Like A&F, Crocs' growth in online sales revenue is indicative of strategic marketing shifts. According to Heidi Cooley, Crocs' SVP and Chief Marketing Officer, the Crocs brand transformation - which has taken a formerly struggling brand to one of the trendiest casual shoe brands - involved a reimagined digital marketing approach.¹¹

Crocs has successfully partnered with celebrities (Justin Bieber), international brands (McDonalds), and niche designers (Salehe Bembury).^{12,13,14} These high-profile collaborations are driving Crocs' brand-recognition among Gen Z consumers, who increasingly turn to social media sites like Instagram and Tik Tok to purchase fashion apparel.

The importance of social media and influencer marketing for fashion retailers cannot be understated. In 2023, 32% of Americans said social media influenced their purchasing decisions for clothing and accessories, and 80% of fashion e-commerce site traffic came from consumers using mobile devices.¹⁵ It seems that companies, like Crocs, that are able to meaningfully connect with their consumers through digital channels are better positioned for growth in today's online buying environment.

Pioneering Digital Apparel: Nike

Nike is another example of a company that's revenue derived from online sales and total revenue has grown significantly in recent years. From 2019 to 2023, the percent of Nike's revenue derived from online sales grew from 32% to 44%, which represents a 38% increase (Exhibit 4).

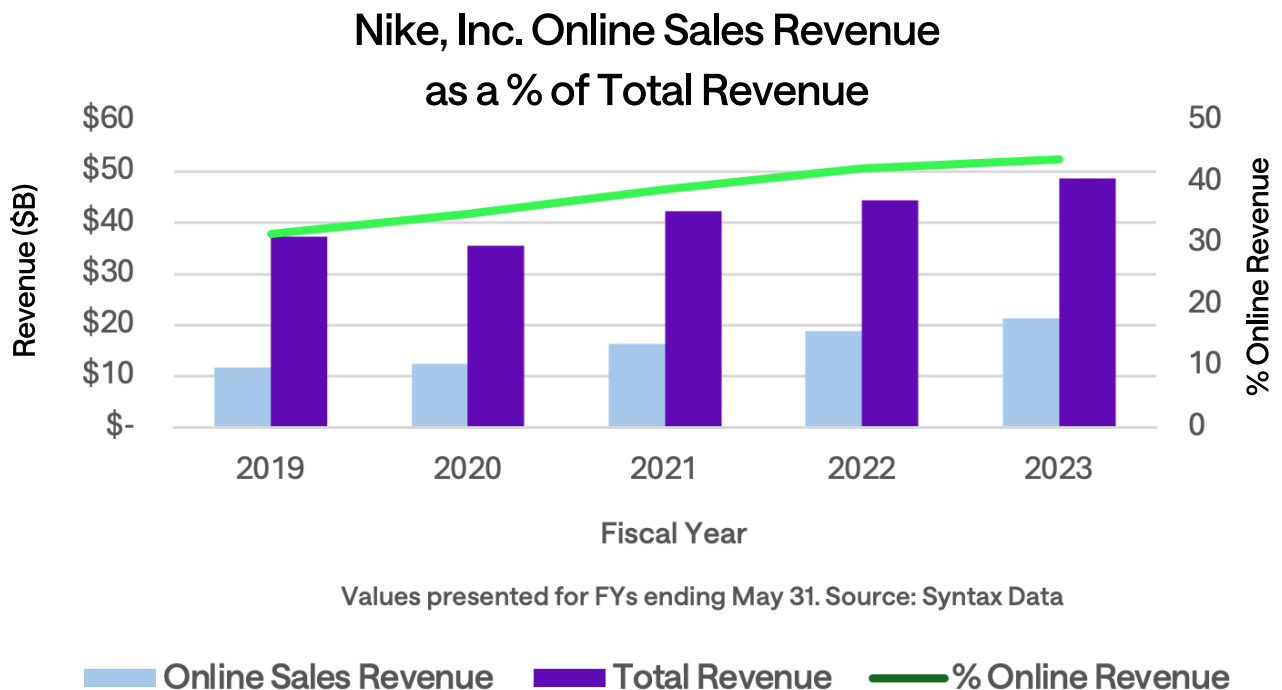
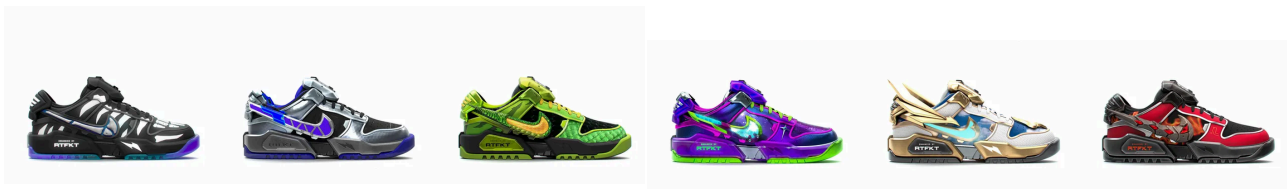


Exhibit 4

Nike is further developing its online footprint by exploring digital fashion assets. In

2022, Nike launched SWOOSH, a web3-enabled platform that enables users to collect virtual items and connect with other users. It debuted its first non-fungible token (NFT) sneaker on the .SWOOSH platform in 2023, which generated a reported \$1 million in sales.^{16,17}

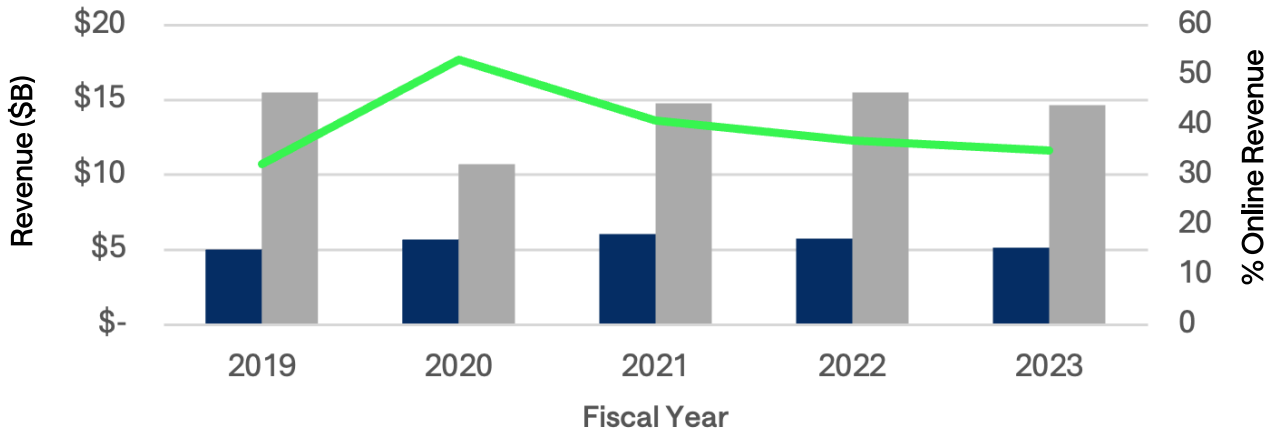
While the fashion industry's venture into virtual assets is a marked departure from its brick-and-mortar past, it speaks to the themes that today's consumers value most: authenticity, identity, and community.



The State of Brick-and-Mortar: Nordstrom

Many traditionally brick-and mortar retailers are struggling to adapt to these new, digitally-driven sales channels. Case in point, Nordstrom. Although Nordstrom experienced a 65% spike in online sales (from 32% to 53%) from 2019 to 2020, this increase was primarily driven by a drop in revenue associated with the decline of in-store sales due to COVID-19. From FY 2019 to 2023, overall revenue decreased 5% (from \$15.52 billion to \$14.69 billion), and the percentage of revenue attributable to online sales increased by only 8% (from 32% to 34%). In short, Nordstrom's total revenue from on-line sales from 2019 to 2023 is basically flat (Exhibit 5).

Nordstrom, Inc. Online Sales Revenue as a % of Total Revenue



Values presented for FYs ending February 1, 2020, January 30, 2021, January 29, 2022, January 28, 2023, and February 3, 2024. Source: Syntax Data

■ Online Sales Revenue ■ Total Revenue — % Online Revenue

Exhibit 5

Nordstrom's stock price follows a similar trend. Whereas on the close of business on February 3, 2020, Nordstrom's stock was trading at \$37.52, it dropped to \$23.48 by July 12, 2024. Therefore, it appears that Nordstrom's decline over the last five years is related to its inability to significantly increase its online sales presence.

Nordstrom, Inc. Stock Price 2004-2024

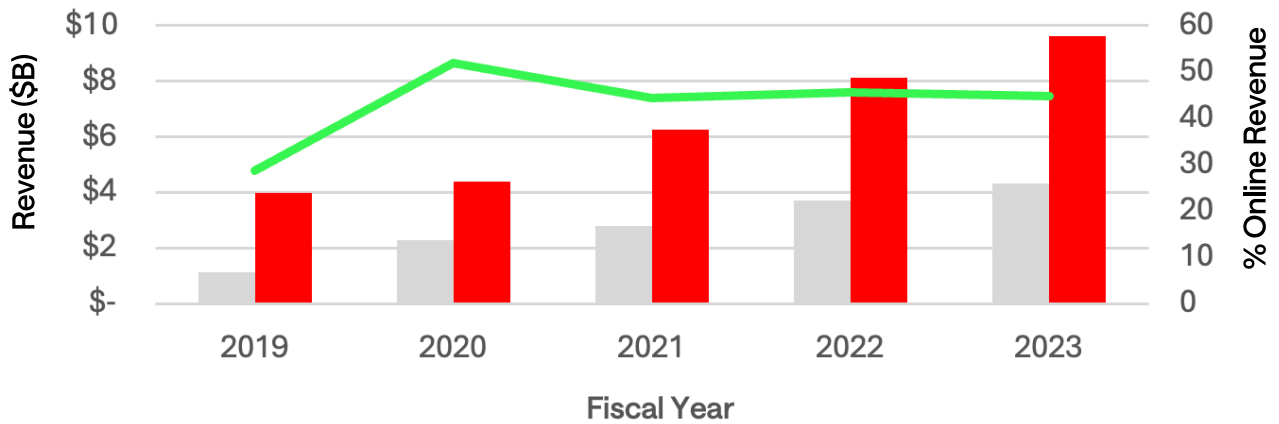


Exhibit 6

The Case for Experiential Retail: Lululemon

Like Nike, Lululemon has also experienced strong growth in both total revenue and revenue derived from online sales. Specifically, the percentage of revenue from online sales grew from 29% in 2019 to 45% in 2023, representing a 57% increase (Exhibit 7).

Lululemon Athletica, Inc. Online Sales Revenue as a % of Total Revenue



Values presented for FYs ending February 2, 2020, January 31, 2021, January 30, 2022, January 29, 2023, and January 28, 2024. Source: Syntax Data

Online Sales Revenue
 Total Revenue
 % Online Revenue

Exhibit 7

While it is clear that online retail is on the rise, consumers are also expressing interest in personalized, experiential shopping experiences.¹⁸ At Lululemon’s experiential store in Chicago, shoppers have access to yoga and workout studios, cafes, and meditation spaces alongside a traditional Lululemon storefront.¹⁹ These revived retail experiences offer innovative ways for companies to engage with customers and build brand loyalty.



Conclusions:

The results are clear: digital channel build-out, reimagined marketing, and innovative, personalized solutions are key tools for fashion retailers to succeed in today's digitally-driven shopping environment.

As for the future of fashion retail? Here are a few trends to monitor:

- **Generative AI:** Fashion industry experts and brands are exploring the use cases for generative AI, including product design, custom marketing, and virtual shopping assistance. According to the BoF-McKinsey State of Fashion 2024 Survey, 73% of global fashion executives said gen AI will be an important priority for their businesses in 2024.²⁰ Some companies, like Zalando, have already launched AI-powered shopping assistance tools for their customers.²¹
- **Reimagined Marketplaces:** According to a global consumer survey by Mirakl, 70% of consumers now believe online marketplaces are the most convenient way to shop.²² E-commerce fashion marketplaces, like TEMU, are exploring innovative ways to attract and retain customers.²³
- **Authentic Partner Marketing:** Influencer marketing is undergoing a major transition as consumers express frustration with the volume of sponsored social media content on social platforms and an interest in more authentic,

personalized collaborations.²⁴ Companies are following Crocs' lead by developing thoughtful and innovative brand partnerships and marketing campaigns.

- **Sustainability & Social Responsibility:** According to a joint study from McKinsey and NielsenIQ, 78%²⁵ of U.S. consumers say a sustainable lifestyle is important to them, and research from Statista indicates that 25%²⁶ of U.S. consumers have already made a significant change towards buying more sustainable products. Fashion retailers are aligning with consumer interest by implementing sustainable and socially responsible solutions.

Fashion retail will continue to evolve as brands explore opportunities to differentiate themselves in a dynamic online environment. Syntax's proprietary product-line data will continue to provide key insight into the transforming online retail strategies of companies as they develop.

- ¹ America can't resist fast fashion. Shein, with all its issues, is tailored for it
- ² Shein
- ³ SHEIN brand profile in the U.S.
- ⁴ Shein's Profits Doubled to \$2 Billion in 2023
- ⁵ SHEIN Marketplace
- ⁶ The Rise of E-Fashion: E-Commerce Creating Gateways
- ⁷ E-Commerce Sales Surged During the Pandemic
- ⁸ Online Clothing Shopping Statistic
- ⁹ Abercrombie stock surged past Nvidia in 2023. It just had its worst week in years as the retailer banks on continued millennial interest
- ¹⁰ Abercrombie & Fitch Co.
- ¹¹ Crocs: A story of reinvention, innovation and modern marketing magic
- ¹² Justin Bieber Solidifies Crocs and Socks as Must-Have Fashion Pairing with Second Collaboration
- ¹³ McDonalds x Crocs Collaboration
- ¹⁴ Crocs Announces Extended Partnership with Designer Salehe Bembury
- ¹⁵ Online Clothing Shopping Statistics
- ¹⁶ Nike Launches .SWOOSH, a New Digital Community and Experience
- ¹⁷ Nike Trips Up .SWOOSH Launch While Bitcoin NFTs Soar
- ¹⁸ Westfield How We Shop: The Next Decade
- ¹⁹ lululemon Lincoln Park Experiential Store in Chicago, IL
- ²⁰ The State of Fashion 2024: Finding pockets of growth as uncertainty reigns
- ²¹ How Zalando is co-creating its new AI-powered assistant together with customers
- ²² A Global Consumer Survey: How Online Marketplaces Are Fundamentally Changing the Way Your Customers Shop
- ²³ Commerce at What Cost? Investigating Temu's Problematic Business Model and Controversies in the West
- ²⁴ The State of Fashion 2024: Finding pockets of growth as uncertainty reigns
- ²⁵ Consumers care about sustainability—and back it up with their wallets
- ²⁶ Sustainable fashion shopping behavior in the U.S. - statistics & facts