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Bricks & Clicks: A Changing of the Guard?

The latest clothing market figures show High Street clothes retailing is a bloody business. Meanwhile, upstart online retailers go from strength to strength...

Summary:

Lower-cost online clothes retailers are out-maneuvring their old-school competitors and ramping up the pressure in what has always been a highly competitive market.

Complacency is (still) not an option:

Staying relevant:

- Langton takes fashion very seriously.
- The UK clothing market continued to fall in Jan, down - 1.2% in the 12 weeks to 15 January despite improvement in menswear.
- Primark was the only major player to gain share (+2.4%); Next (-1.5%), M&S (-2.8%) and Debenhams (-4.2%) all continue to suffer.
- These big box retailers were 'cool' at one point. Talk to anyone under the age of 35 and you might find that that is no longer the case...
- Flash sales sites these days, for example, are now a Big Thing.
- These days, what you want is a warehouse or two, a well-run website (plus app), and a responsive distribution network.



Figure 1 Not a waste of time.

Online retail is changing the game...

- Online retailers are unencumbered by costly real estate and are thus able to apply margin pressure to incumbents.
- Not many people are looking to pay £40 for a work shirt from M&S when then know they can order one from their bed for half the price.
- Flash sales site Secretsales has just been bought by Exponent.
- Meanwhile, Boohoo's share price performance speaks for itself and MySale (the flash site whose shareholders include Phillip Green and Mike Ashley) has nearly trebled in a year.



Et tu, Lipstick? Beauty might be next in line for the Digital Revolution:



- Beauty vloggers are a mainstay of the YouTube generation, and have been some of the platform's biggest stars for years.
 - This is one area in which online retail is actively catching up – another piece of unwelcome news for department stores.
 - Recent data suggests that department stores are losing overall share in what is one of their last bastions (Bloomberg Analysis, 2016).
- Up-and-coming online beauty retailers such as Warpaint (LON:W7L) may well be about to do for cosmetics what Boohoo and Asos have done for clothes.

Big box department stores will continue to struggle:

- Unless, of course, the old dogs evolve and find innovative uses for all that space they have.
- In the same way that Lidl and Aldi have instigated a rapid pace of change in food retail, online competition might yet be the making of department stores.
- Experience is key today. If department stores can make their proposition more experiential they might continue to attract footfall.
- Think not just food aisles but food courts (a la Eataly) and trendy restaurant concessions (Debenhams Westfield's Franco Manca).
- Not just cosmetics departments but beauty parlours, spas, barbers and hairdressers.
- Sooner rather than later, department store retailers are going to have to start thinking outside the (big) box.

Contact – Jack Brumby - +44(0)20 7702 3389

jack.brumby@langtoncapital.co.uk

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jack.brumby@langtoncapital.co.uk

Suite 415, No1 Alie Street, London, E1 8DE
020 7702 3389