

Fashion Consumption in the European Market



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Learning Objectives

After this lecture students should be able to:

- Differentiate factors that affect consumers' purchasing decision
- Describe the consumer decision process
- Outline the main fashion consumption habits
- Describe the impact of the Covid-19 crisis on fashion consumption
- Discuss sharing as an alternative consumption model

Introduction

- Consumers have countless opportunities nowadays
- Products are quite similar and there are hardly significant differences in quality or price
- Choices are based on more than traditional variables
- Mediatization of the world and the increasing power of social networks means that consumers' choices are based more and more on identity, gaining social currency and self-branding

Willman-livarinen (2017)

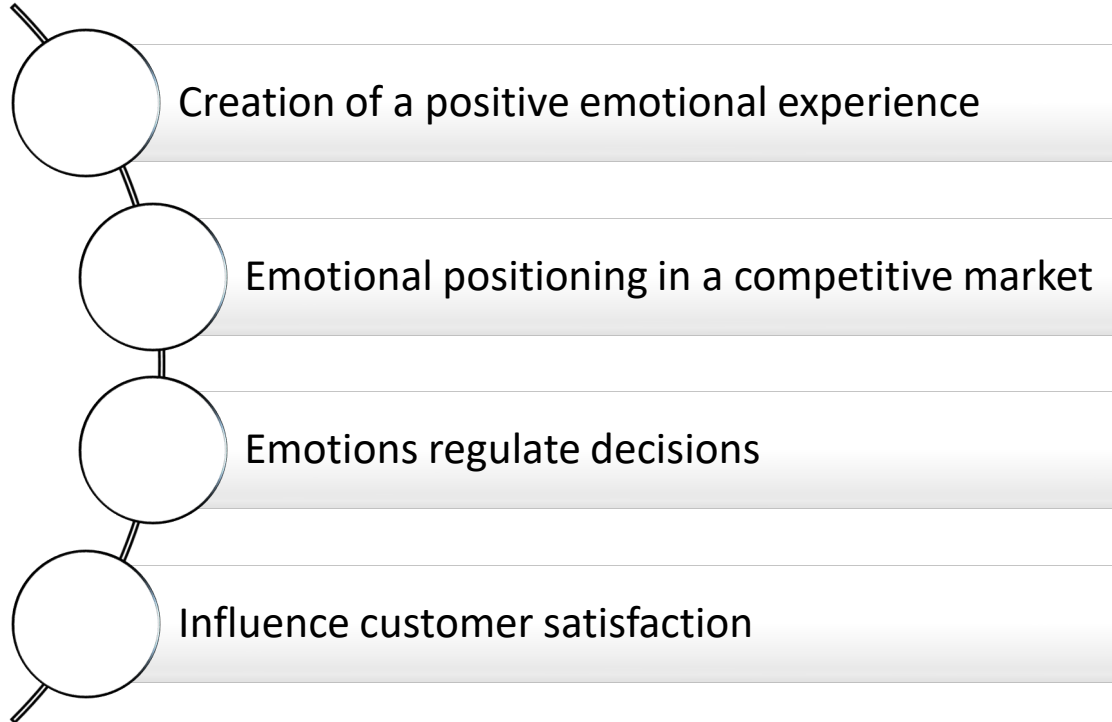
Let`s work!

- Sit down in small groups!
- Find a definition of the term fashion?
- What is the difference between a fashion, a lifestyle, an apparel, clothing, textile, athleisure, outdoor, retail etc. company?

What is fashion?

- Fashion involves change, accepted change, defined as a succession of short-term trends or fads
- Styles do not become fashions unless they win acceptance amongst consumers
- Fashion is not just about clothing

The importance of emotions in retail has already been discovered and examined



External vs. Internal Factors on Emotions

External factors =

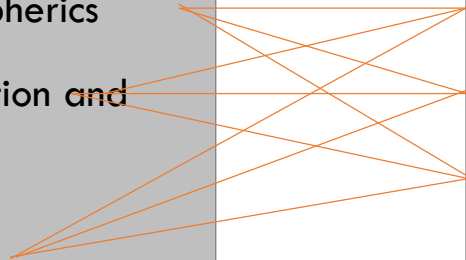
Factors impinging on the consumer from the 'outer world', such as brands' efforts and eWOM.

Internal factors =

Factors stemming from the individual, such as personal attitudes and dispositions

- Website Atmospherics
- Retailer Reputation and Trust
- Social Media

- Fashion Involvement
- Consumers' Perceived Risk
- Shopping Orientations and Personal Determinants



Decision strategies and heuristics are adaptive and depend on personal preference + the decision context

Satisficing heuristic

- One considers the alternatives one at a time, in the order they occur or come to mind
- The first acceptable alternative is chosen: The consumer simply chooses the first satisfactory choice, the one that is good enough
- If none passes evaluation, the requirements may be relaxed slightly and the process will start again

Willman-livarinen (2017), p.2

Decision strategies and heuristics are adaptive and depend on personal preference + the decision context

Lexicographic heuristic

- The most important feature will be chosen first and the alternatives will be ranked accordingly (e.g. the cheapest, fastest, most trustworthy, etc.)
- When using a lexicographic heuristic, the consumer will not be satisfied with the first possible choice, but will choose the best alternative according to one chosen attribute

Willman-livarinen (2017), p.2

Decision strategies and heuristics are adaptive and depend on personal preference + the decision context

Eliminating by aspects heuristic

- First, the consumer considers the most important aspect and then eliminates the alternatives below the cut-off level
- Then consumers turn their attention to the second-most important feature and repeat the process until only one alternative remains

Willman-livarinen (2017), p.2

Decision strategies and heuristics are adaptive and depend on personal preference + the decision context

Frequency of good and bad features heuristic

- The decision maker makes a list of the good and bad attributes of each alternative and then counts the sum
- The sum of bad attributes is subtracted from the good ones and the alternative with highest score will be chosen
- The decision maker needs to decide the cutoff level, which separates good attributes from the bad ones

Willman-livarinen (2017), p.2

Decision strategies and heuristics are adaptive and depend on personal preference + the decision context

Equal weight heuristic

- Each attribute is given a value, all the alternatives' values are added, and the highest score wins
- This method does not separate the attributes into important/unimportant or good/bad

Willman-livarinen (2017), p.2

Factors that impact decision-making strategies

- Reduction in thinking costs often leads to a reduction in benefits due to a growing number of mistakes: compromise between the desire to make an accurate decision and the desire to minimize cognitive effort
- Sometimes people prefer accurate decisions, and other times easy, fast, justifiable, etc.
- Decision goals are extremely important because they dictate (partly) the choice of decision strategies, which in turn affects what is chosen

Willman-livarinen (2017), p.3

Factors that impact decision-making strategies

- Time pressure affects how much information is gathered and processed, how many alternatives and attributes are considered, how the choice will be done and what will be chosen
- If we have time pressure, we search for less information
- Consumers' decisions are found to be highly context dependent
- Decisions can be difficult if there are many motives, many options, conflicting values, difficult trade-offs, etc. Willman-livarinen (2017), p.3

Factors that impact decision-making strategies

- A typical trade-off difficulty arises when we try to decide which we value more: low price or product safety → If the task is too complex, it may prevent people from choosing at all
- Emotions: emotions provide immediate and automatic evaluation on the “goodness” or “badness” of a feature or possible consequence.
- People especially rely on their emotions when the decision is difficult, when there is a limited amount of information or when they feel the emotions are relevant

Willman-livarinen (2017), p.3

Factors that impact decision-making strategies

- Everything we consume can be used as social currency, an identity claim, a tool for self-branding, a signal for values or a tool for regulating mood.
- Consumers form emotional connections to different products
- Consumers use possessions and brands in identity building: We choose what we consume in order to define ourselves and because certain products are connected or enable certain social roles

Willman-livarinen (2017), p.3

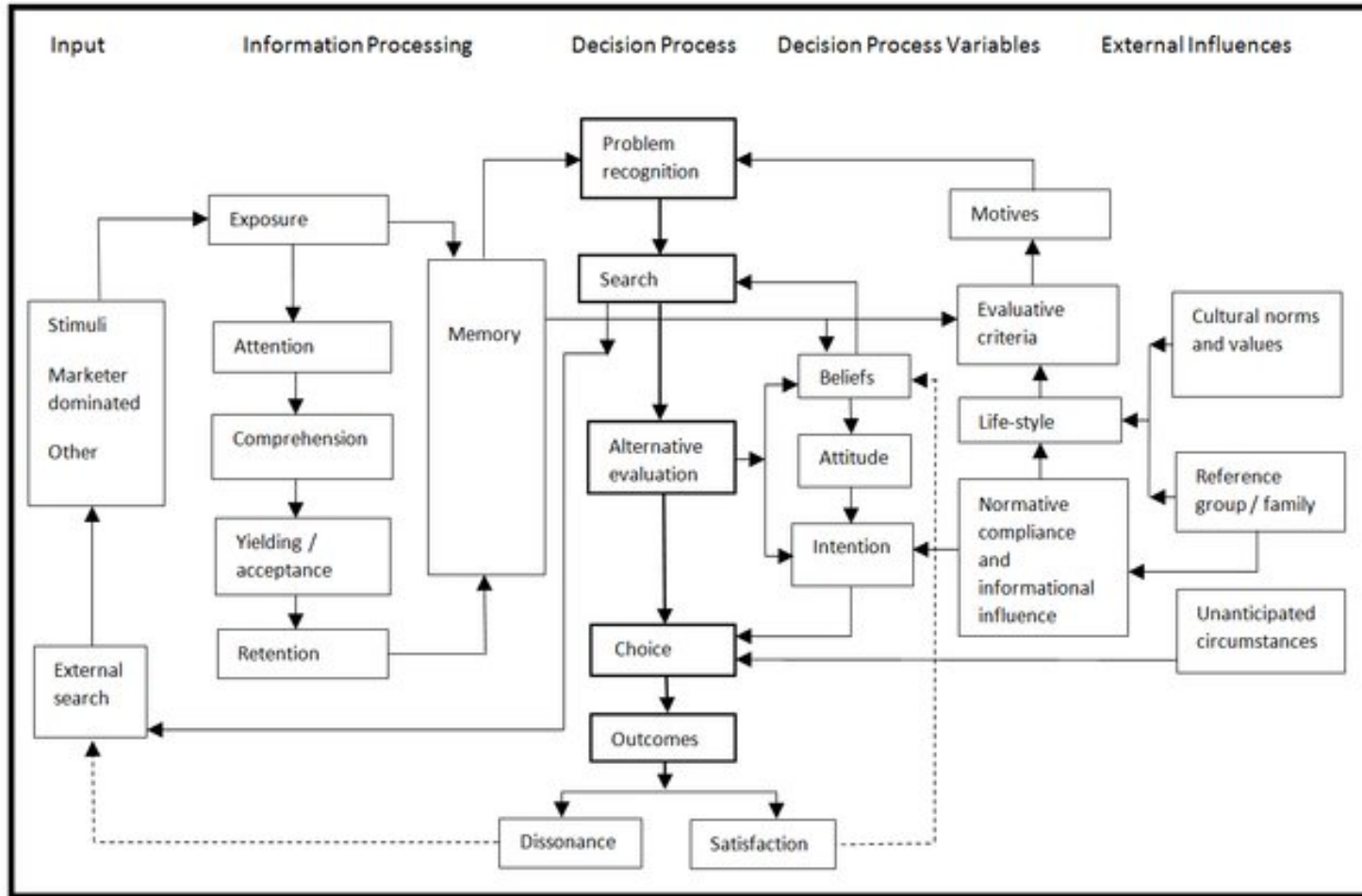
Factors that impact decision-making strategies

- Consumed products can be used as signals and can communicate our identity and values or our ideal selves
- We can consume in order to signal certain personal characteristics to others → Consumption is a communication tool and is an easy way to signal personality and values

Willman-livarinen (2017), p.3

The EKB Model





Engel & Kollat (1986), p.500

Decision Process Stage

Problem Recognition Stage

- Consumers realize that they need something
- Marketers want to create intentionally an imbalance between consumers' present status and their preferred status
- A need can occur immediately and can be a very basic impulse - this is called an *internal stimulus*

Decision Process Stage

Problem Recognition Stage

- If a person is affected by outside influences, this is called *external stimulus*
- Marketers create an imbalance/need by using advertising and sales promotions or make the consumer feel insecure without this product
- External stimuli may evoke existing needs that individuals may be unaware of

Decision Process Stage

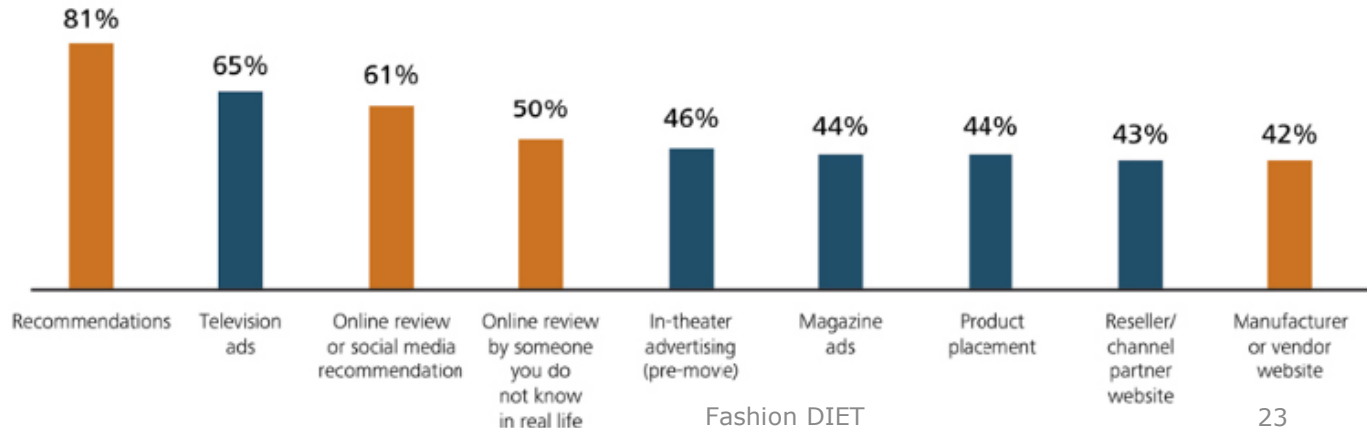
Information Search Stage

- Consumer starts an information search about different alternatives to satisfy the need/want: look both internally and externally for information to help him/her make a decision
- An internal information search consists of utilizing information from memory, such as past experiences with the product/service

Decision Process Stage

Information Search Stage

- An external information search is asking friends and family about their experiences with acquiring a new product; public sources, such as reviews, blogs; marketing-controlled sources, such as banners, television ads, brochures, etc.



Stankevich (2017), p.10

Decision Process Stage

Information Search Stage

- The amount of time dedicated to this step usually depends on the consumer's past experience with buying the product, the risk involved and the level of interest
- After compiling a certain “list” of alternatives, a consumer will conduct a final research to further shrink the options
- The process of looking for information, in this case, is a moment that matter for consumers → Marketers have to catch it and provide a relevant description of the product, promotions, etc

Decision Process Stage

Alternative Evaluation

- The consumer makes a final decision and looks for the best deal
- This is individual for each consumer. Best deal could be based on attributes such as price, quality, brand, durability, place to buy etc.

Decision Process Stage

Alternative Evaluation

- Moments that matter could be emotional connections/experiences with products, surrender to advertising/marketing campaigns
- For marketers on this step, it is important that a consumer is aware of their brand during the evaluation process and ideally knows on what the consumer makes his/her buying decision

Decision Process Stage

Choice & Purchase

- Consumer may make a purchase intention to buy a certain product, but don't close a deal
- Often, there is a time delay between the formation of a purchase decision and the actual purchase, particularly for complex purchases such as automobiles, personal computers, and consumer durables
- For nondurable products like clothing the time between the decision and the actual purchase may be short

Decision Process Stage

Post Purchase

- Consumers evaluate and review the product
 - A customer finds that the product has matched or exceeded the promises made and their expectations
- they will potentially become a brand ambassador influencing other potential customers in the stage two of their customer journey, increasing the chances of the product being purchased again

Decision Process Stage

Post Purchase

- The same can be said for negative feedback: can restrain a potential customer's journey towards your product
- The moments that matter on the last stage is to catch the point if the customer is not satisfied
- If the customer is satisfied → turn him/her into a loyal customer

Definition Households

A (private) household, in the context of surveys on social conditions or income is defined as a housekeeping unit or, operationally, as a social unit:

- having common arrangements;
- sharing household expenses or daily needs;
- in a shared common residence.

A household includes either one person living alone or a group of people, not necessarily related, living at the same address with common housekeeping, i.e. sharing at least one meal per day or sharing a living or sitting room.

Definition Households

Collective households or institutional households

(as opposed to private households):

- hospitals
- residential homes
- prisons
- military barracks
- religious institutions
- workers' hostels, etc.

Household final consumption expenditure (HFCE)

HFCE is the amount of final consumption expenditure made by resident households to meet their everyday needs.

The corresponding goods and services are considered as consumed at the time of their purchase, even if some of them are durable goods (cars, household electrical appliances, furniture, etc.)

Household final consumption expenditure (HFCE)

Components:

- households' purchases of products for their everyday needs (e.g. food, clothing, cars, rents,...)
- households' partial payments for products provided by the general government (e.g. tickets to public museums, swimming pools...)
- households' payments to the general government for licences and permits (e.g. fees for issuing passports, owning car, fishing, hunting...)
- imputed rents for services of owner-occupied housing
- the value of goods produced by households for their own consumption (e.g. agricultural goods)
- income in kind earned by employees (free or reduced train tickets for railway employees)
- households' consumption of Financial Intermediation Services Indirectly Measured (FISIM)

Households Final consumption expenditure total per country 2020

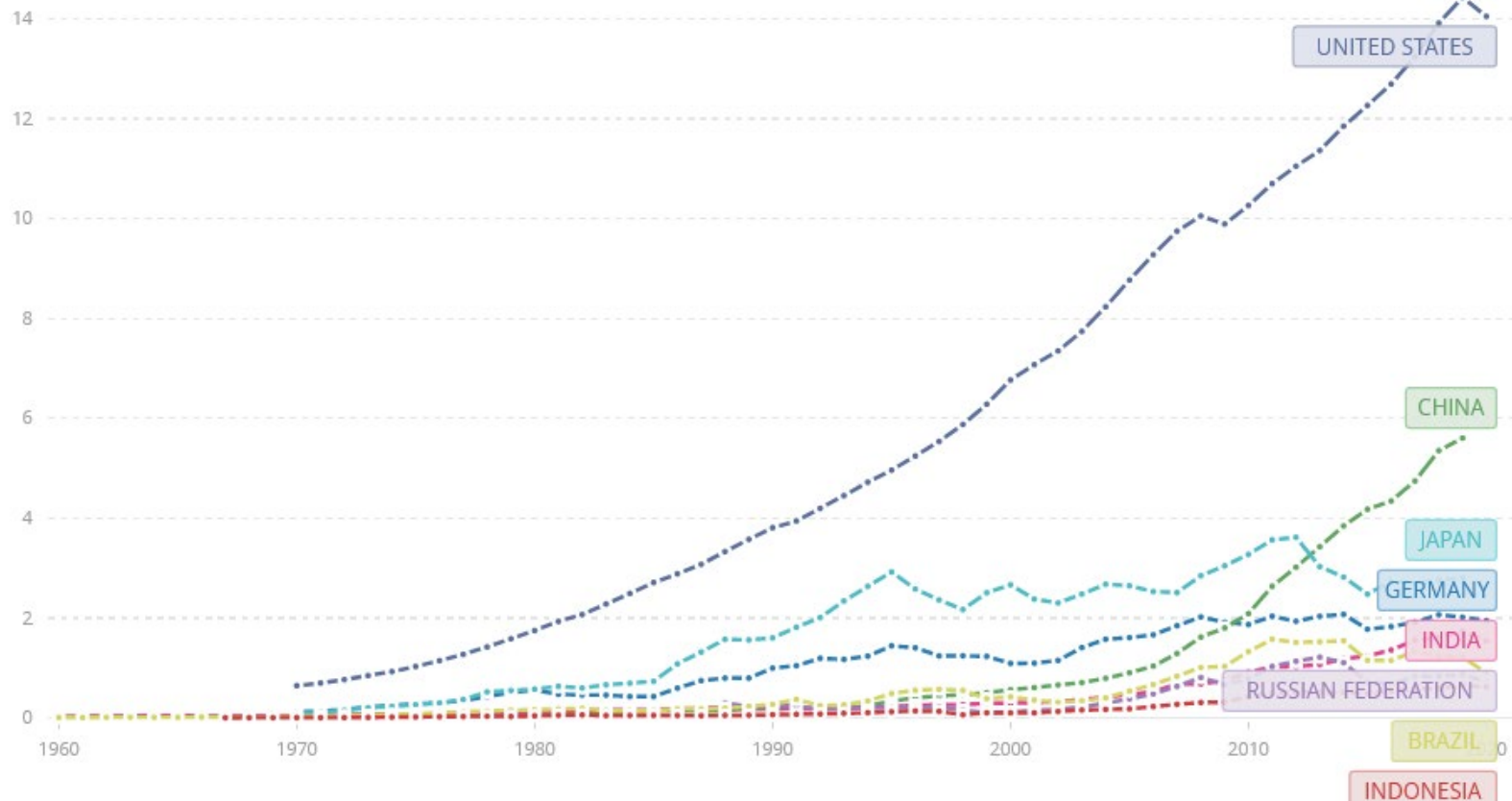


Rank	Country	Value (in mio. USD)
1	United States	14,047,565
2	China	5,610,597
3	Japan	2,700,730
4	Germany	1,950,845
5	United Kingdom	1,683,712
6	India	1,558,535
7	France	1,397,709
8	Italy	1,092,425.
9	Canada	943,653
10	Brazil	906,061
11	Korea	760,378
12	Russia	733,850
13	Spain	717,318

Rank	Country	Value (in mio. USD)
14	Australia	702,969
15	Mexico	684,585
16	Indonesia	624,136
17	Turkey	408,554
18	Switzerland	383,472
19	Netherlands	382,892
20	Venezuela	363,166
21	Poland	338,644
22	Egypt	313,493
23	Saudi Arabia	301,541
24	Nigeria	301,024
25	Philippines	271,611
26	Thailand	265,334



Development of Households Final consumption expenditure (in trillion USD)

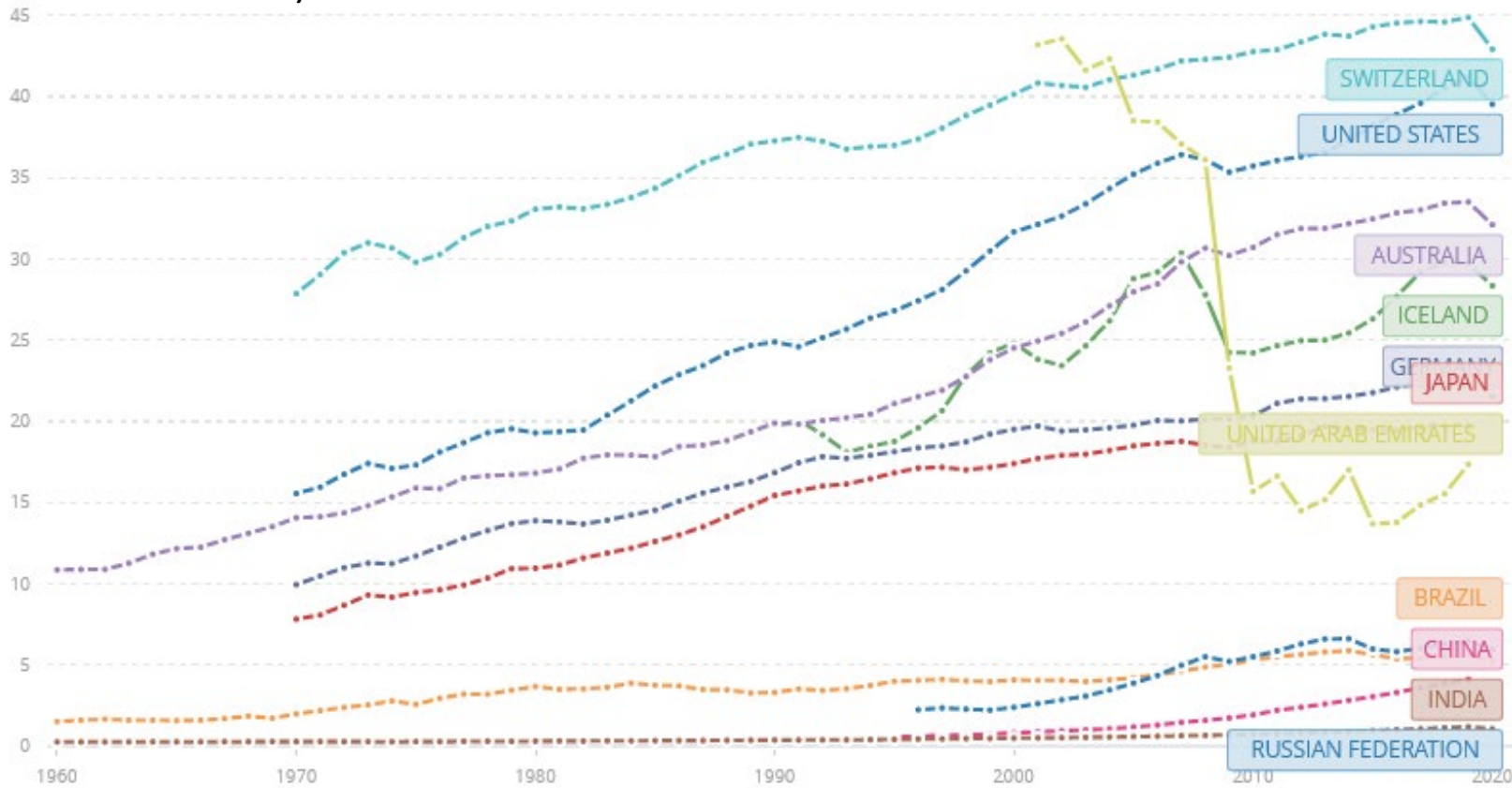


Households Final consumption expenditure per capita per country 2020

Rank	Country	Value (in thousand USD)
1	Switzerland	49.630
2	United States	39.527
3	Australia	32.108
4	Norway	30.933
5	Luxembourg	28.766
6	Iceland	28.352
7	Hong Kong	27.808
8	United Kingdom	26.780
9	Denmark	26.483
10	Faroe Island	25.709
11	New Zealand	24.619
12	Canada	24.575
13	Finland	23.253

Rank	Country	Value (in thousand USD)
14	Sweden	23.047
15	Austria	21.601
16	Germany	21.520
17	Guam	20.737
18	Bahamas	20.044
19	Belgium	20.040
20	Singapore	19.765
21	Cyprus	19.755
22	Japan	19.749
23	Netherlands	19.644
24	Ireland	19.594
25	France	19.288
26	Israel	19.119

Development of Households Final consumption expenditure per capita (in thousand USD)



Change in consumer prices 1995-2014

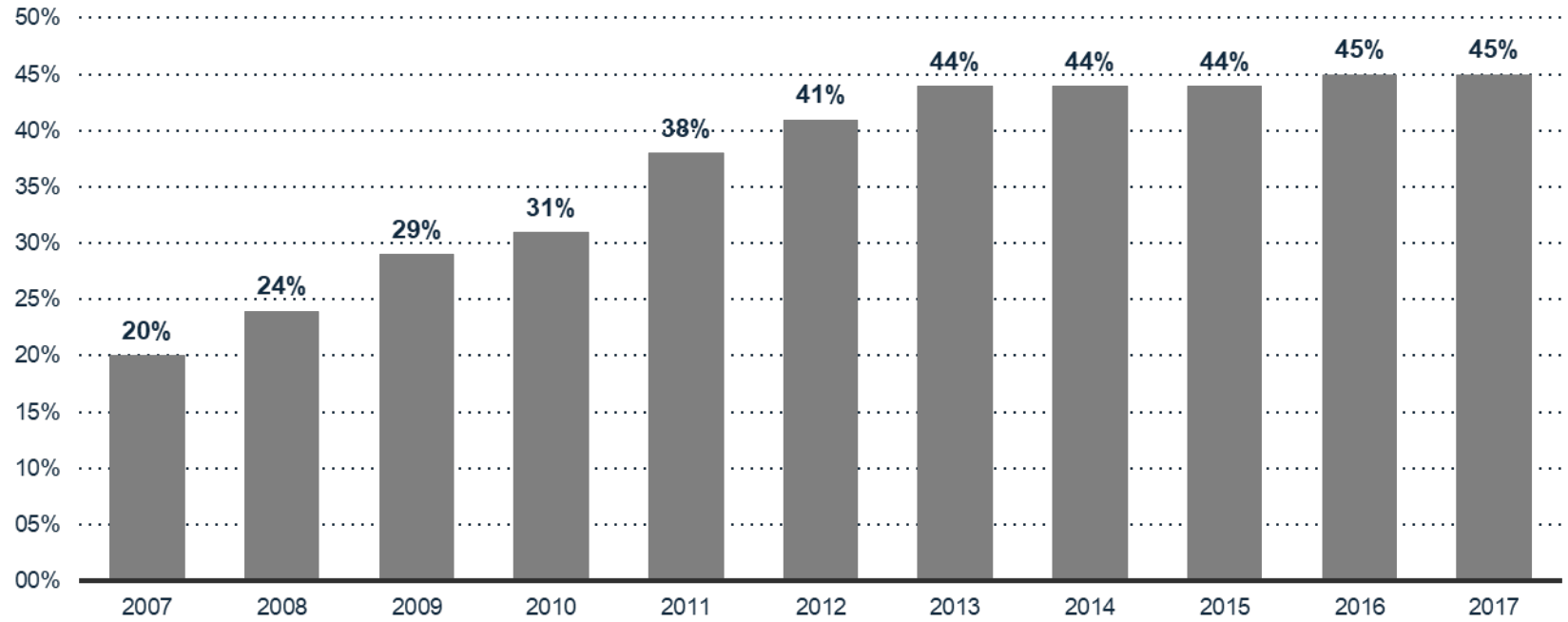
China:	all goods +53 %; clothing +38 %
Germany:	all goods +33 %, clothing +10 %
United States:	all goods +55 %, clothing -4 %
United Kingdom:	all goods +49 %, clothing -53 %

Remy, Speelman, & Swartz (2016)

Consumer Prices

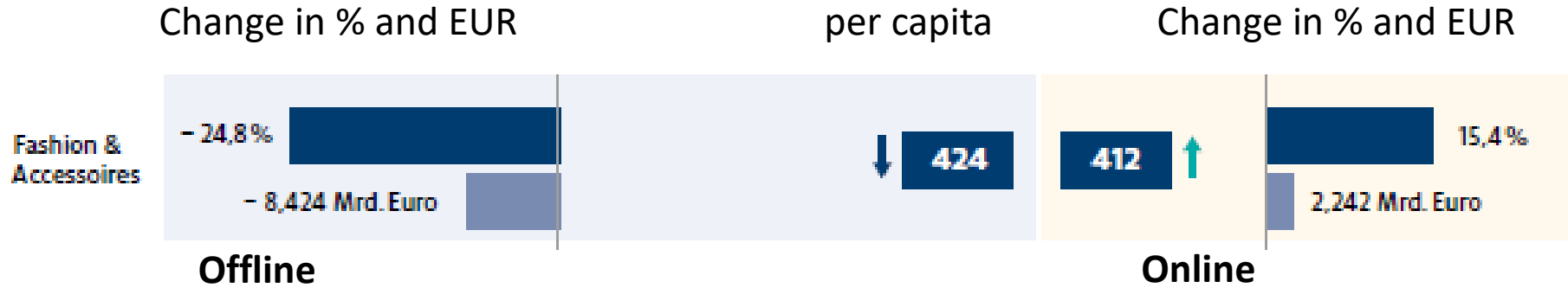
- Falling prices for clothes relative to other consumer goods, diminishing quality of apparel, rise in households' disposable income
 - Consumers shift from 'living without' to buying more fashion items.
 - Further accelerated through the advent of e-commerce (= immediate and easy purchase of fashion from all over the world at a low price)
- **“throwaway culture”**: many clothes being disposed before their effective lifetime has ended

Share of multi-channel shoppers in Europe: The number of fashion multi-channel-shoppers is in stagnation mode



Statista (2017)

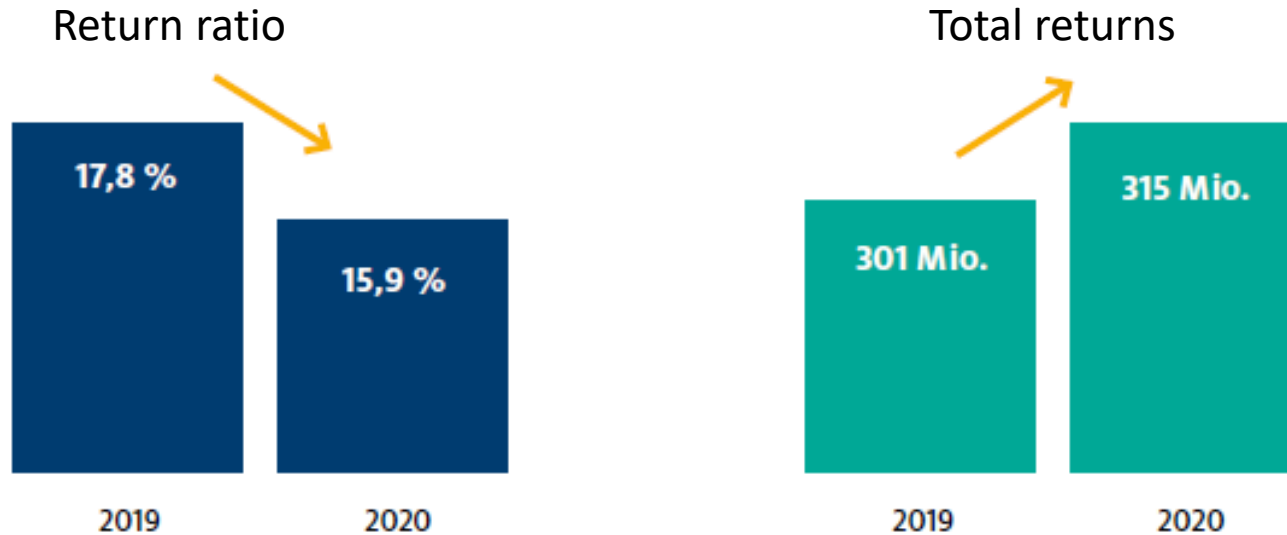
Retail Sales Development Germany 2020: Fashion & Accessoires



Compare: Retail Sales Development Germany 2019: Fashion & Accessoires – Covid has impact



The return ratio decreases but the total number of returns increases in Germany



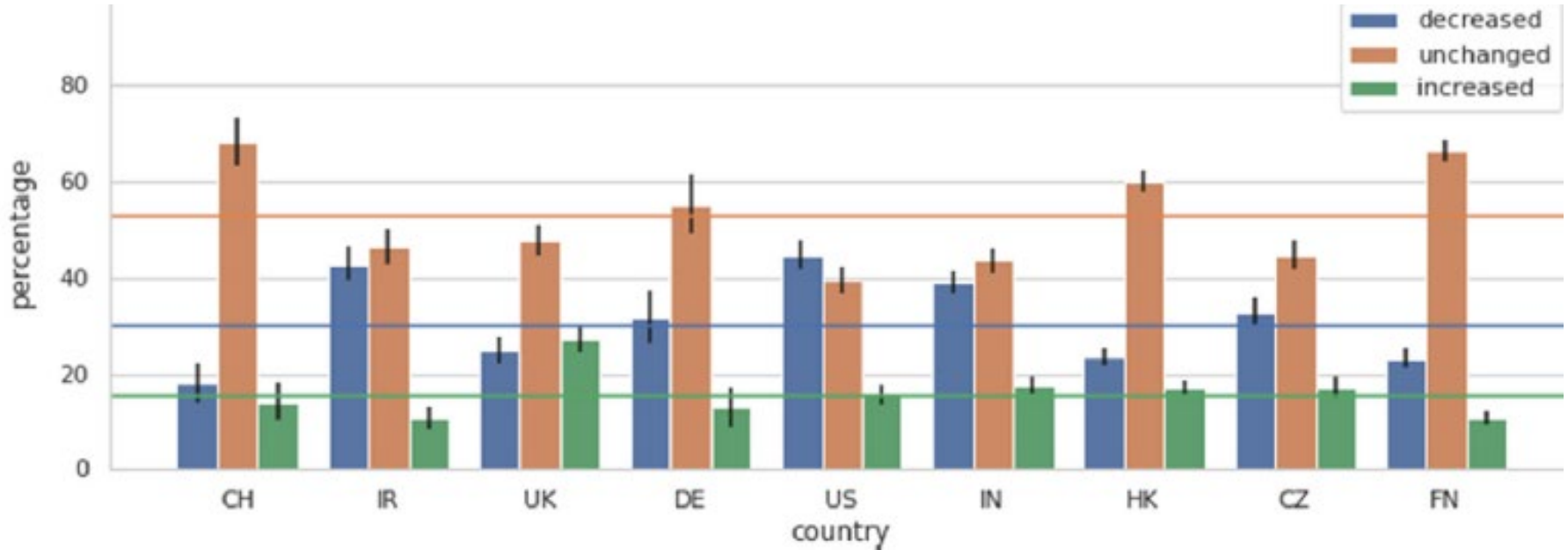
HDE Handelsverband Deutschland (2021)

Impact of Covid-19 on Fashion Consumption

- Overall, during the pandemic, all forms of fashion acquisition decreased
- consumers chose to spend less on apparel, reduce discount and impulse purchases
- More sustainable forms of fashion consumption, including buying ethically-made and environmentally-friendly new and second-hand apparel, swapping, borrowing and lending, and tailoring apparel all decreased

Vladimirova et al (2022)

Impact of Covid-19 on Disposable Income



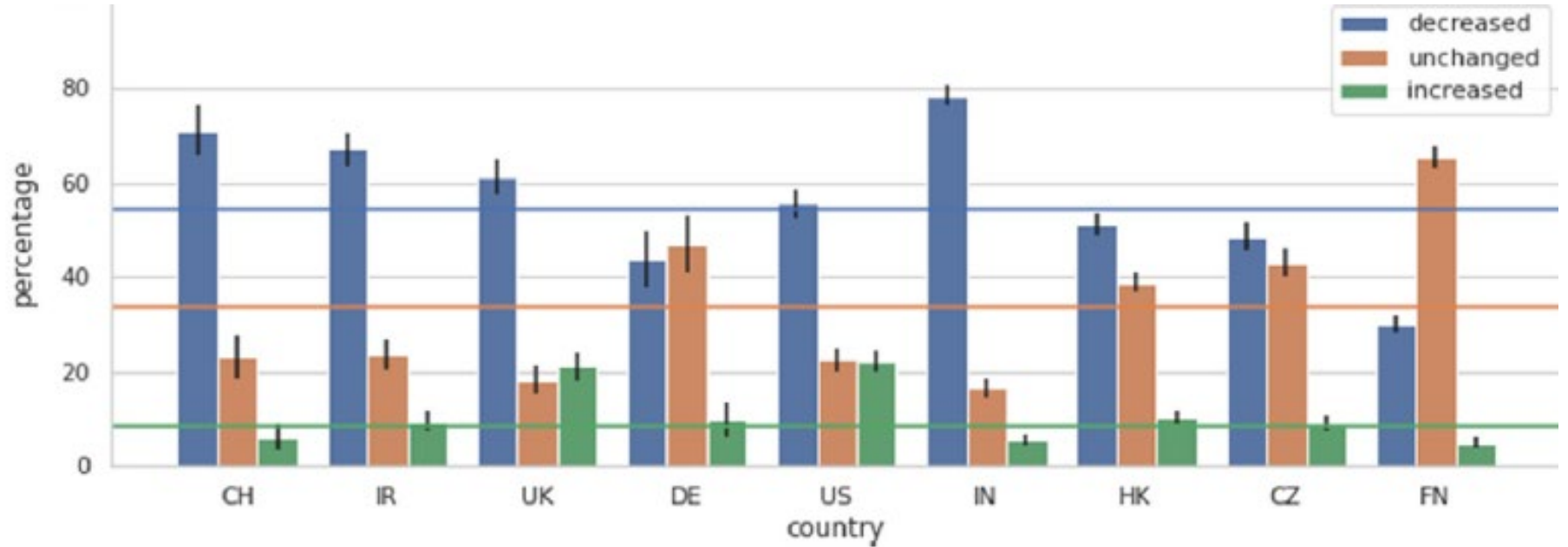
Vladimirova et al (2022), p.4

Spending on Apparel

- Drop in apparel spending → recognizing it as “non-essential”
- Many consumers “stopped buying clothes because there was no longer a need to dress up

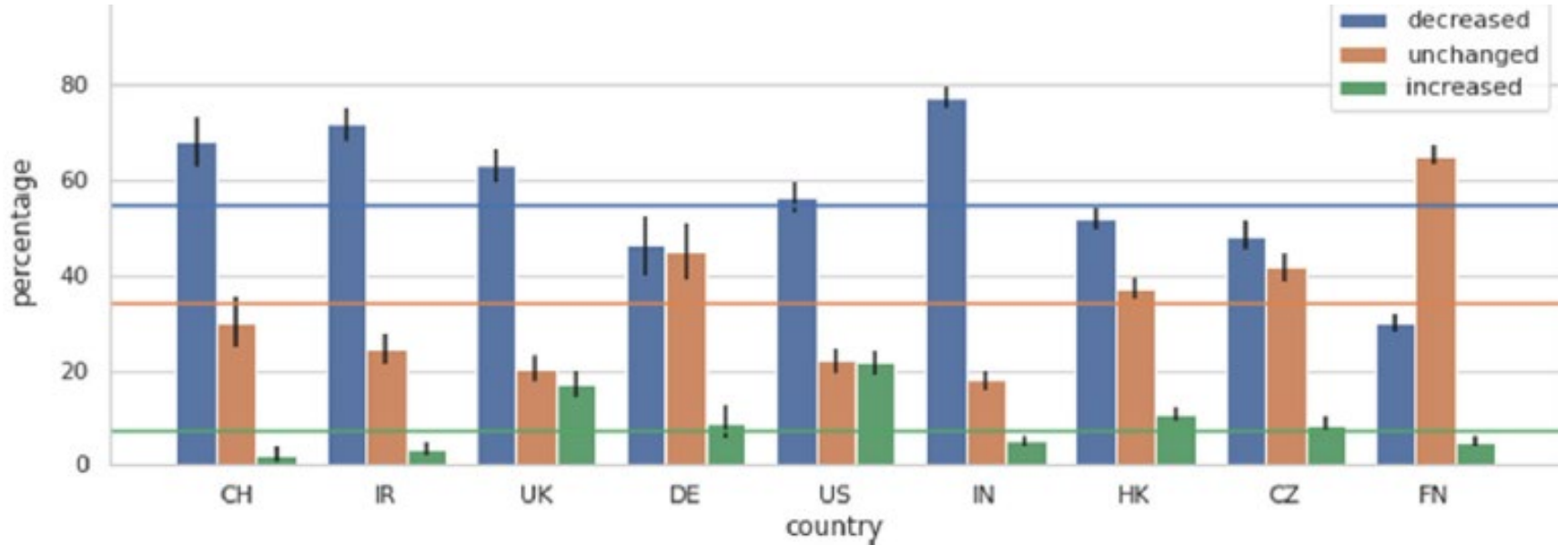
Vladimirova et al (2022), p.4

Spending on Apparel



Vladimirova et al (2022), p.4

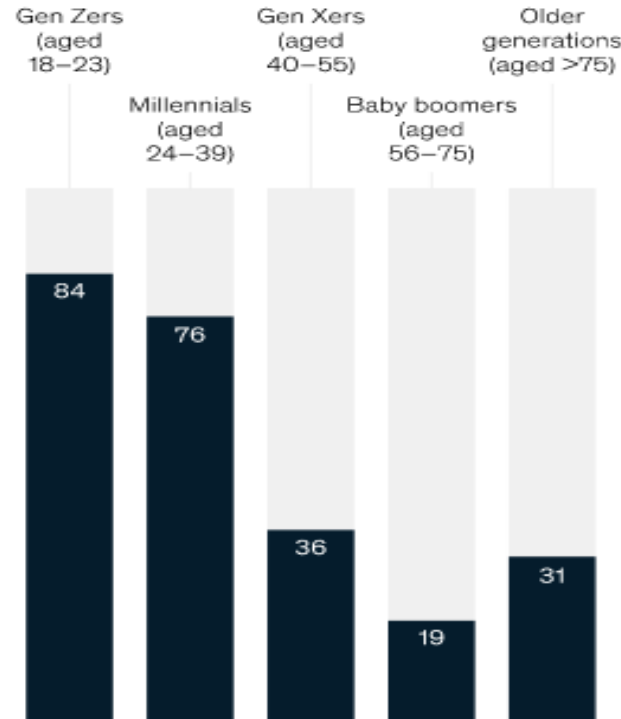
Frequency Shopping Apparel



Vladimirova et al (2022), p.5

Trend towards online channels is stronger among younger consumers

Have started using online channels for fashion purchases since start of COVID-19 crisis, in % of respondents



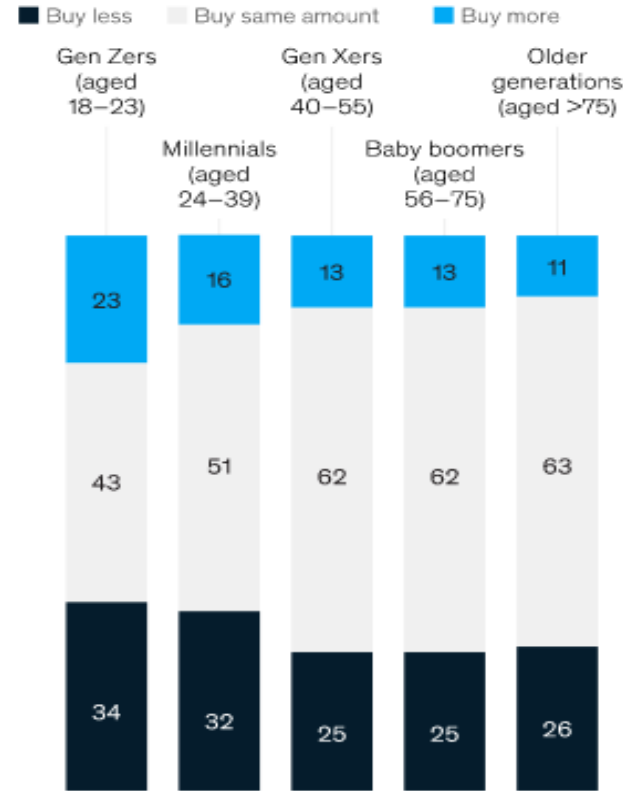
Granskog et al. (2020)



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Trend towards online channels is stronger among younger consumers

Expected use of physical channels for fashion purposes after COVID-19 crisis, in % of respondents



Granskog et al. (2020)



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