2023 is proving challenging for clothing retailers, but generative AI technology and avatars can keep shoppers engaged and help them to buy better-fitting clothes.

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Clothing Retailing – Germany – 2023

This report looks at the following areas:

• Market performance, the effects of the recent pandemic and the rising cost of living
• Who is buying clothing and what types of clothes are being purchased
• Channels and retailers used to purchase fashion in Germany
• Understanding and establishing purchase drivers for clothing
• Analysing elements of interest and behaviours towards the purchasing of clothing
• Innovations by fashion brands, as well as online and in-store retailers, including the use of technology, sustainable ranges and providing a multichannel experience

Clothing specialists experienced a 16% boost in sales in 2022, as pent-up demand from the previous two years was released. Whilst spending on clothing continues to grow, non-specialists and online pure players are gaining relevance, with specialists' share of the spending on clothing dropping from 59% in 2018 to 42% in 2023.

Total spending on clothing increased 16% in 2022, however the higher cost of living created a more challenging scenario in 2023. Uncertainty is leading consumers to spend more cautiously in 2023, with spending on clothing likely to increase more marginally, but a more positive outlook is expected from 2024.

2023 is proving challenging for clothing retailers, but generative AI technology and avatars can keep shoppers engaged and help them to buy better-fitting clothes.
The **ageing population** challenges clothing retailers to be more engaging, as seniors tend to be much less excited about fashion than younger buyers. As **consumers shop more consciously**, retailers can use latest **developments in AI to add fun to the shopping experience**, as **34% of German fashion shoppers** would use avatars to find better-fitting clothes.

Moving forward, Germans will welcome **new tech to increase the convenience of shopping in-store**, enabling them to try different sizes and items without leaving the fitting room, providing recommendations and even the option to pre-book a fitting room or stylist appointment. However, **improving fit remains key, both online and in-store**.
EXECUTIVE SUMMARY

Key issues covered in this Report

• Overview
• The five year outlook for clothing retailing

Market context

• Clothing outperformed overall spending rising 16% in 2022
  - Graph 1: consumer spending on clothing and footwear (incl VAT), 2014-23
  - Graph 2: monthly harmonised consumer price index, by category, 2021-23
• Two thirds of Germans buy clothing online
  - Graph 3: channels used to buy clothing, 2023

Mintel predicts

• Market size & forecast
• Consumer spending on clothing will continue on an upward trend
• Clothing sales through specialists will grow much more marginally
• Shopping for clothing to become increasingly personalised
• Sustainability will push fashion further to greater transparency and circularity

Opportunities

• Target older shoppers with convenience and ease in finding the right fitting clothes
• Entice wealthier shoppers with a personalised experience in-store
• An ageing population and high inflation will challenge clothing retailers to engage more with 65+
• Explore higher relatability with seniors in campaigns
• Explore higher relatability with 65+ fashion shoppers in campaigns

The competitive landscape

• Many of the leading retailers lost market share in 2022
  - Graph 4: leading retailers' share of total consumer spending on clothing, 2021-22
• Retailers engage in brand collaborations and higher sustainability

MARKET DRIVERS

The German economy

• Continuously high inflation shapes consumers, brands and the economy...
• ...impacting financial wellbeing...
• ...confidence and consumer expenditure
  - Graph 6: retail sales (EUR bn incl VAT), 2016-23

Demographics
  - Graph 7: population forecast and age-group breakdown, 2022-70

Obesity
• The extent of Germany’s obesity epidemic
  - Graph 8: proportion of those considered overweight and obese, by gender, 2021
• Crises tend to fuel the obesity epidemic
• Offer plus-size options in response to obesity rates

Sustainability
• Clothing buyers demand greater circularity
• Retailers are exploring sustainability on other levels

Shift in gender perception
  - Graph 9: clothing purchased by women in the last 12 months, 2023
  - Graph 10: clothing purchased by men in the last 12 months, 2023
• Menswear and womenswear shoppers blend more among the young

MARKET ACTIVITY

Sector size and forecast
  - Graph 11: specialist clothing retailers’ sales (excl VAT), 2016-23
• Despite the rising cost of living, specialist retailers’ sales rose 16% in 2022
• Specialists’ sales to grow much more slowly than non-specialists’

Consumer spending
• Consumer spending on clothing increased 16% in 2022
  - Graph 12: consumer spending on clothing and selected categories (incl VAT), 2014-23
• Spending on clothing will continue to rise in coming years
• Improved confidence and experiences will drive the market forward

Channels of distribution
• Specialists represent more than 40% of clothing sales in Germany
  - Graph 13: estimated distribution of spending on clothing and footwear, 2022
• Convenience and price are luring shoppers from specialists to non-specialists
• Clothing specialists are losing share to online and non-specialists
  - Graph 14: specialist clothing retailers’ share of total spending on clothing, 2014-23
Online
- Graph 15: online retail sales, clothing and total e-commerce, 2014-22
- Graph 16: purchase channels for clothing, 2020-23

Market segmentation
- Womenswear accounts for 41% of spending on clothing
  - Graph 17: consumer spending on clothing and footwear, by segment, 2016-23
- Menswear and footwear sales are more stable

WHAT CONSUMERS WANT AND WHY

Shopping channels for purchasing clothing
- Create a well-rounded omnichannel shopping experience
  - Graph 18: channels used to buy clothing in the past 12 months, by generation, 2023
  - Graph 19: those who have not bought clothes for themselves in the past 12 months, by generation, 2023
- A strong omnichannel presence is a key advantage
- Despite a slow return to stores, smartphone shopping gains traction
  - Graph 20: methods used to purchase clothing in the past 12 months, 2021-23
- Use AI to improve the smartphone experience
- Target younger buyers with a smooth smartphone experience
  - Graph 21: channels used to buy clothing in the past 12 months, by generation, 2023
- Entice the young to shop more with better styling tools and guidance
  - Graph 22: channels used to buy clothing, by income level, 2023
- Use generative AI for premium buying experiences

Retailers used to shop for clothing
- Mid-market specialists lead in popularity, especially among the young
  - Graph 23: retailers used to purchase clothing, by age group, 2023
- C&A and H&M compete for top-spot when shopping in-store
  - Graph 24: retailers used to purchase clothing in-store in the last 12 months, 2023
  - Graph 25: retailers used to purchase clothing in-store, 2023
- Clothing specialists are used by younger and wealthier shoppers
- Amazon dominates online clothing sales
  - Graph 26: retailers used to purchase clothing online in the last 12 months, 2023
- Specialists face much stronger competition online
  - Graph 27: types of retailers used to buy clothing, by channel, 2023

Clothing purchasing behaviours
- Free returns can be a game-changer during times of uncertainty
Online retailers are rethinking the concept of free returns.
Reduce returns with better fitting tech and strong loyalty rewards.
- Graph 29: circularity behaviours when buying clothes, by age group, 2023
- Graph 30: consumers who bought a limited-edition item of clothing in the last 12 months, by age group and household income level, 2023
- Graph 31: consumers who have joined a retailer’s loyalty scheme when shopping for clothes, by age group, 2023

Important factors when buying clothing
- Investing in efficient fitting technologies pays off.
- Graph 32: ranking of important factors when buying clothes, 2023
- Graph 33: consumers who find it important that clothes that fit them well (any rank), by gender and age group, 2023
- Graph 34: important factors when buying clothes for themselves (any rank), by age group, 2023
- Graph 35: important factors when buying clothes for themselves (any rank), by age group, 2023

Driver relevance changes depending on where they buy clothing.

Interest in innovations
- Bring shoppers to the stores with a smoother and more convenient experience.
- Graph 36: interest in technology when buying clothing in-store, 2023
- Graph 37: interest in technology when buying clothing in-store, by monthly household income, 2023
- Graph 38: interest in technology when buying clothing online, 2023
- Use avatars to ensure the right fit and improve the online experience.
- Use avatars to ensure the right fit and improve the online experience.
- Use avatars to ensure the right fit and improve the online experience.
- MySize uses smart mirrors to empower shoppers.
- Zara shoppers are the most interested in increasing the convenience of buying in-store.
- Shoppers favour different features depending on where they shop in-store.

RETAILER ACTIVITY

Leading retailers
- C&A collaborates with Zalando for online visibility.
- H&M to return to double-digit margins by 2024.
- New Yorker focuses on in-store and the young.
- Peek & Cloppenburg survived bankruptcy in 2023.
- Primark faces a challenging scenario in Germany.
- Takko is investing heavily in digitalisation.
- Zara engages in bold sustainability strategy.
- TK Maxx continues to grow in Germany.
Zalando sets the example for fashion circularity
Shein continues to challenge its online peers
Leading clothing retailers
The leading retailers operate quite distinct store networks
  - Graph 39: leading clothing retailers' number of outlets, 2022

Market share
  - Graph 40: leading retailers' share of consumer spending on clothing, 2022
  - Leading retailers' market shares

Retail innovation
  - Innovations continue to fuel circularity
  - Tess Holliday helps bring size inclusivity to H&M
  - Reebok's new flagship store takes experiential retail to the next level
  - Appealing to Millennials with inclusive capsule collection 'Limitless fashion'
  - "Limitless fashion" by Zalando
  - Activewear brands are redefining the concept of experiential retail
  - AI tools help shoppers define their personal style

Advertising and marketing activity
  - Barbiecore trend sets optimistic, pink counterpoint
  - Gucci's campaign appeals to storytelling in cinematic production
  - Louis Vuitton combines fashion, celebrity factor and flawless visuals
  - Dior Men's S/S 2023 campaign explores the concept of gender-neutrality
  - Zalando's latest campaign promotes overcoming male stereotypes

APPENDIX

Appendix – products covered, abbreviations and consumer research methodology and language usage
  - Products covered in this Report
  - Abbreviations
  - Generations
  - Consumer research methodology
  - A note on language

Appendix – market size and forecast
  - Forecast methodology
  - Market size - value - total market and forecast
  - Market size - value - specialist retailers' sales and forecast
  - Market forecast and prediction intervals – value – total market
Market forecast and prediction intervals – value – specialists
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