

Consumers refresh their closets, leading apparel sales to rise

Article

The news: Consumers in Q1 began ditching the sweatpants they've worn throughout the pandemic and refreshed their wardrobes as they returned to in-person occasions such as social events, travel, and the office. That drove **strong sales at a number of retailers that primarily sell apparel** across several different price points.

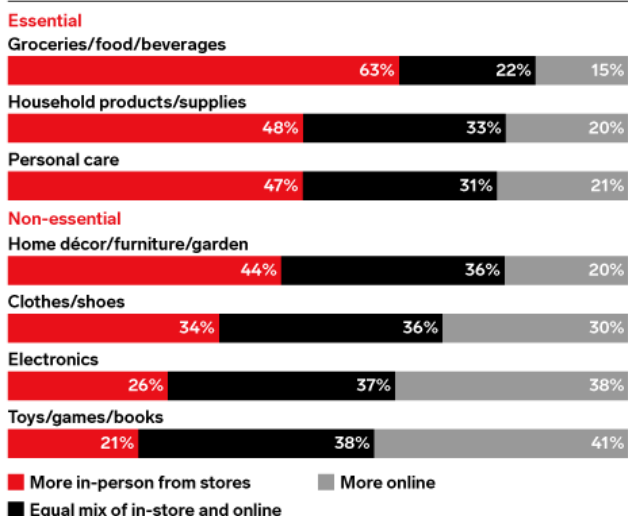
- **Nordstrom's** fiscal Q1 sales grew 18.7% year-over-year (YoY), including 23.5% YoY at its luxury department store.
- **Urban Outfitters'** sales rose 13.4% YoY, including 18.7% YoY at **Anthropologie**.
- **Express'** sales jumped 30.0% YoY.
- **Ralph Lauren's** sales rose 18.3% YoY.

A shift in spending: US households allocated more of their spending to physical goods throughout the pandemic than before both because of demand for goods such as work-from-home furniture and because the cost of goods has risen faster than inflation.

- For example, **spending on goods accounted for 35% of household spending in Q1**, up from 31% in Q4 2019.
- However, **there are signs of a shift in spending patterns** as people return to in-person activities such as dining out. Spending on food services and drinking places rose 25.4% YoY in the first four months of the year, **per** the US Commerce Department.
- That strong growth dovetailed with **14.9% growth at apparel and accessories retailers**.
- There's also been a shift in how people shop, as **the growth rate for brick-and-mortar retail has outpaced ecommerce's rate for four straight quarters**.

Where Online Shoppers Worldwide Typically Make Essential vs. Non-Essential Purchases, by Category, Feb 2022

% of respondents



Source: Dynata, "Global Consumer Trends: The New Experience Economy," March 18, 2022

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A return to normal: “[Our] customers are excited for a return to normal,” said **Richard Hayne**, Urban Outfitters CEO, during the retailer’s earnings call. “They’re shopping in stores again and are out and about with family and friends, traveling, dining-out, and going to many, many events. Customers are shopping to accommodate their social calendars and the products they’re choosing are those tailored specifically for going-out moments.”

It isn’t good news all-around: While many apparel retailers have benefited from the shifting behavioral patterns, there are also several merchants that have struggled with myriad challenges such as supply chain disruptions and rising inflation.

- **Abercrombie & Fitch** pointed to rising freight and product costs weighing on its sales and leading to an unexpected loss.
- **Carter’s** sales fell 0.8% due in part to challenging YoY comps as shoppers in Q1 2021 were shopping for Easter and flush with stimulus checks.

The big takeaway: While Q1 was generally good for apparel retailers, there are signs that inflation is taking a toll on shoppers.

- More than eight in 10 U.S consumers are planning to make changes to mitigate their product spending in the next three to six months, per The NPD Group.
- Moreover, consumers bought 6% fewer items at retail than they did in the first quarter of 2021.
- Apparel retailers face a difficult [inventory management](#) challenge as they adjust to the rapid shifts in consumer behavior, particularly amid an environment with ongoing supply chain challenges.