Online Apparel

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Agenda

Gitane Dress
$248
3 colors

Ginny Dress
$298
2 colors

Yucca Two Piece
$278
3 colors

Overview

ap·par·el

/əˈperəl/

clothing items not including jewelry, shoes, or accessories

industry

The online apparel industry is the exchange or sale of clothing items across a digital platform.

sectors

1. value fashion

2. midmarket

3. luxury & editorial

History

1995
eBay & Amazon
is founded

1998
Paypal establishes
online payments

2003
95+ million mobile
payments made

2006
Burberry Digital
Rebranding

2019
Youtubers
at PFW

1996
macys.com
is launched

1999
Zappos.com is
founded
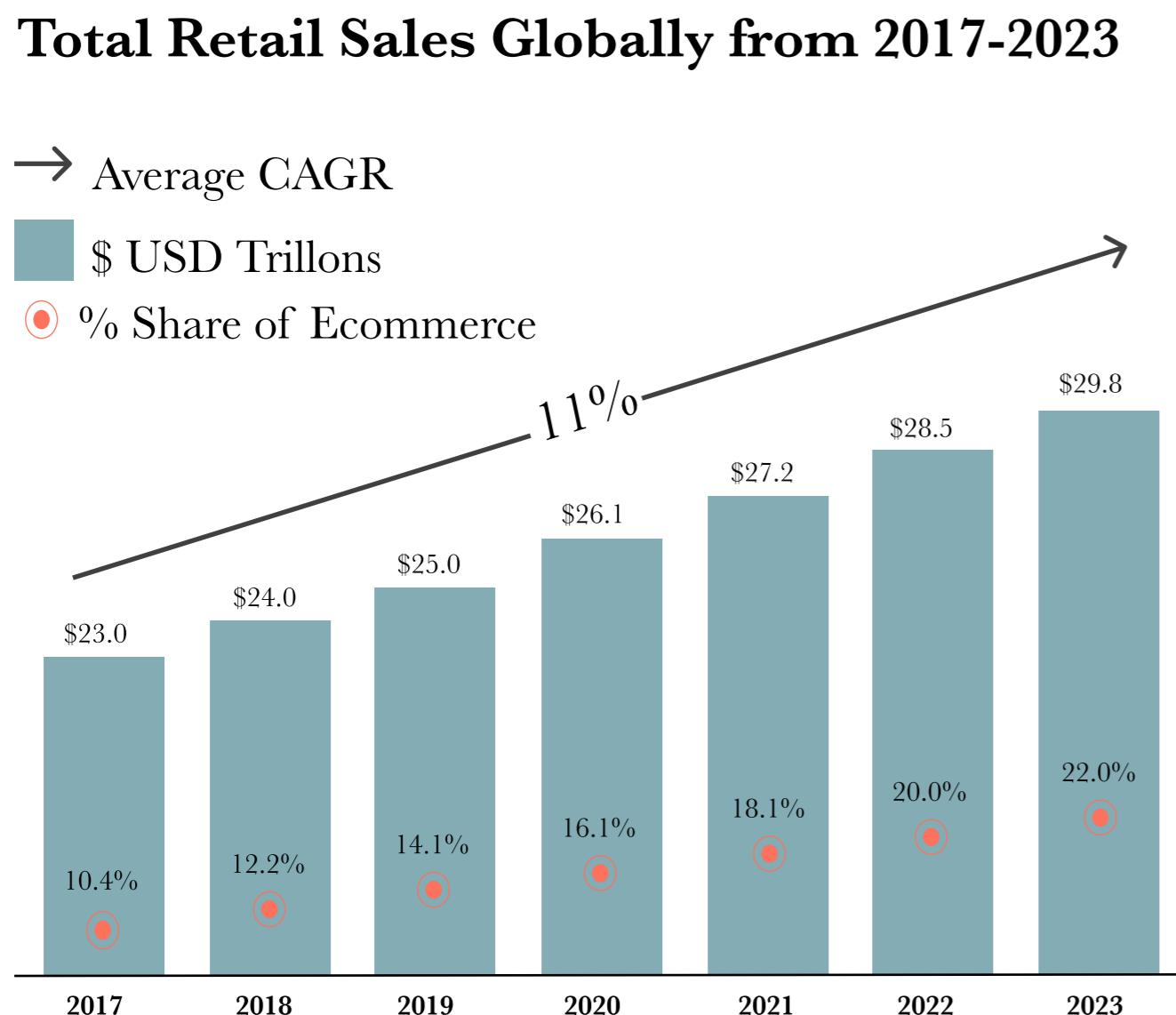
2005
Shop.org coins
Cyber Monday

2011
Poshmark
founded

Market

Though growth in retail sales is slowing, the share of ecommerce retail is increasing.

Total Retail Sales Globally from 2017-2023

→ Average CAGR

◻ $ USD Trillons

◉ % Share of Ecommerce

11%

| Year	$ USD Trillons	% Share of Ecommerce
2017	$23.0	10.4%
2018	$24.0	12.2%
2019	$25.0	14.1%
2020	$26.1	16.1%
2021	$27.2	18.1%
2022	$28.5	20.0%
2023	$29.8	22.0%
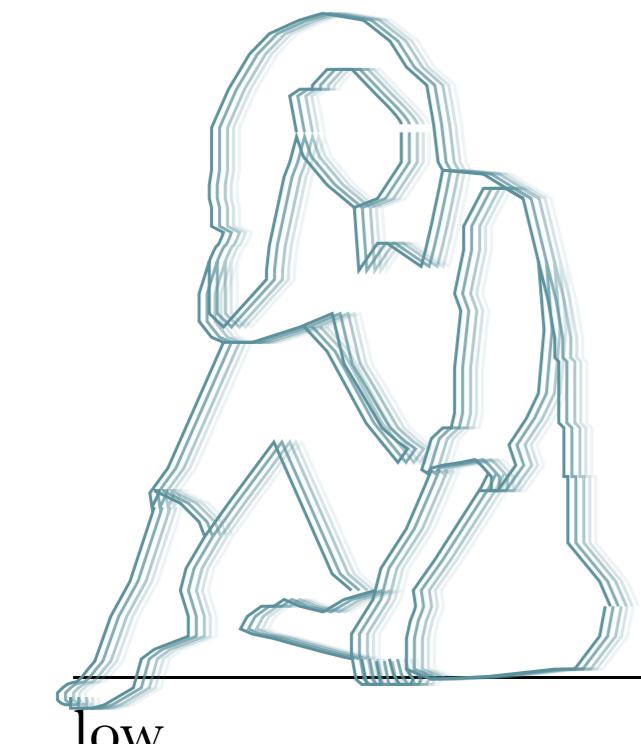
High-earning not rich yet (HENRYs) are the core spenders in this market.

- incomes over $100,000 but less than $250,000
- focus on motive and purpose with their purchases
- respond well to value for price

But customer acquisition and retention is a key struggle for all players.

- the cost to acquire customers has increased 65% from 2013
- companies lean on social media influencers for visibility
- brand loyalty can be hard to sustain

Market Map

price perception
expensive

media presence

low

high

affordable

GRAILED
700K

MODA OPERANDI
1.8 million

The RealReal
400K

Reformation
1.6 million

CALVIN KLEIN
20.9 million

Supreme
13.9 million

MK
16.1 million

CHANEL
39.8 million

GUCCI
40.3 million

LOUIS VUITTON
38 million

NET-A-PORTER
4 million

EVERLANE
900K

BONOBOS
150K

POSHMARK
700K

6pm
50K

lululemon
3.2 million

asos
10.3 million

TOPSHOP
10.2 million

FOREVER 21
15.8 million

adidas
25.7 million

NIKE
110 million

Regulatory Position

Environmental Concerns

The French government has recently supported legislation that ceases the burning of unwanted goods and drafted rules to prevent microplastic leakages.

Regulations in the future may prove to be costly and difficult to implement across the international scope of fashion resource sourcing and allocation.

Social Concerns

The Sustainable Apparel Coalition and other associations have created a united front against practices such as child labor or wage exploitation.

Previous incidents such as the Rana Plaza fire have led to a wave of brands that support ethical, transparent manufacturing and sourcing.

Online Privacy Concerns

The EU Cookie Policy, a part of the e-Privacy Directive, requires webpages to inform users of their data collection and allow them to opt out.

Other regulations include GDPR and CCPA which protect consumers from unwanted data mining, a key component of personalized reccomendations.

Products

Urban Outfitters Online Brands

Burberry Fall '19

Bon Appetit Web Store

marketplaces   brand value   tech tools

Investment Activity

$2.06 Billion
2018 U.S. Venture Funding for
fashion & beauty

14x
increase in value of online
fashion M&A deals in 2017

465 deals
took place in 2019, a
19% decrease from 2018

Major Accelerators & Incubators
Farfetch's Dream Assembly *UK*
New York Fashion Tech Accelerator *NY*
Lafayette by Plug and Play *Paris, France*

Major Investment Firms:
Imaginary Ventures *early*
Alante Capital *all stages*
Maveron *seed & early*
Silas Capital *early & growth*
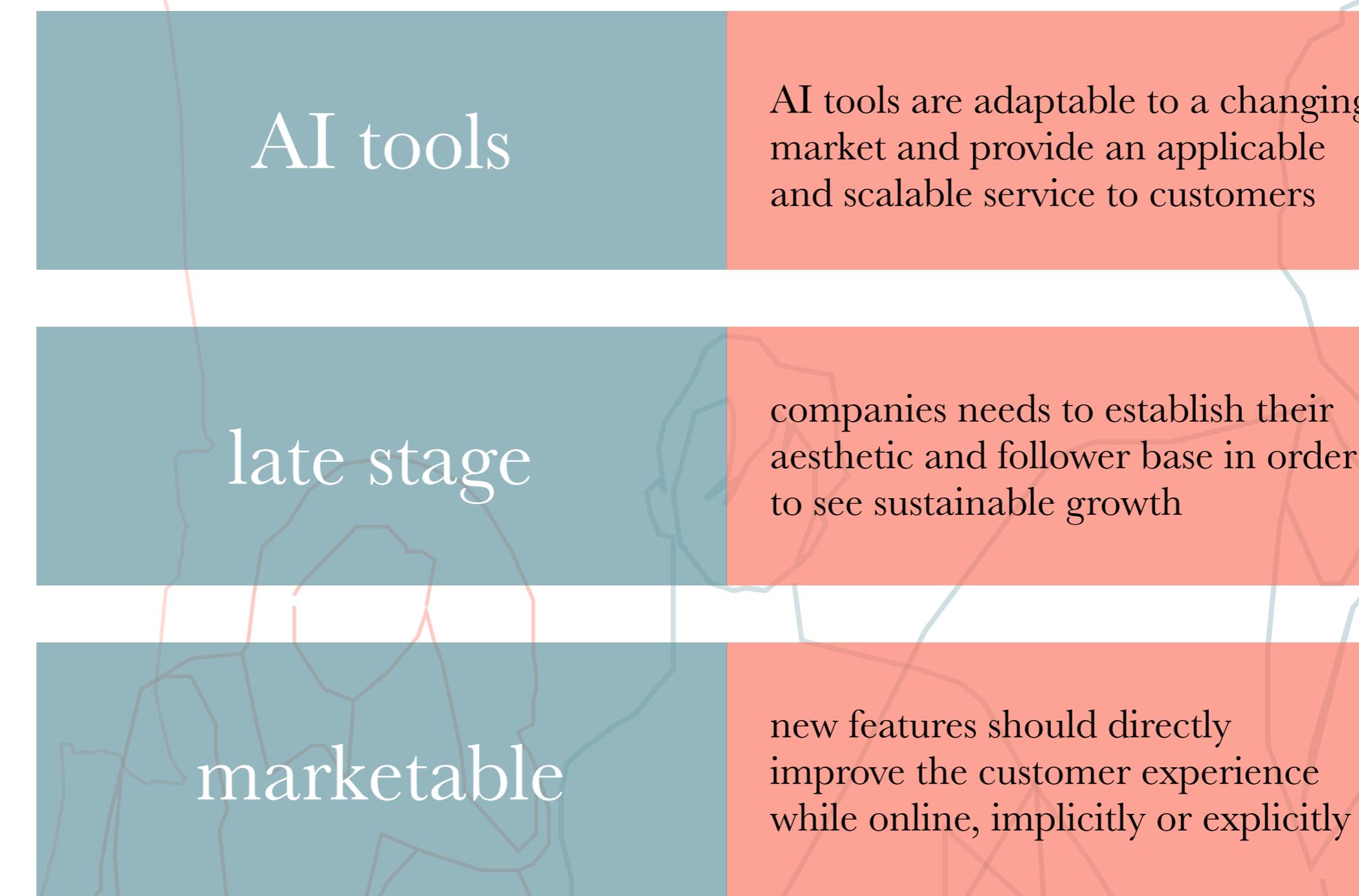
Products & Value | Market Components

Investment Thesis

| AI tools | AI tools are adaptable to a changing market and provide an applicable and scalable service to customers |

| late stage | companies needs to establish their aesthetic and follower base in order to see sustainable growth |

| marketable | new features should directly improve the customer experience while online, implicitly or explicitly |

1. value fashion
seeking to make fashion affordable and accessible

fast fashion
aims to keep up
with trend turnover
and drive returns
from volume

comparisons
increase product
visibility and clarity
through search or
web experience

promos
encourages customer
retention with
frequent discounts
and promotions

Market Components | Exits

Value Fashion

lean manufacturing

Companies arrange with wholesale textile manufacturers in order to negotiate lower prices and transfer those savings to their customers.
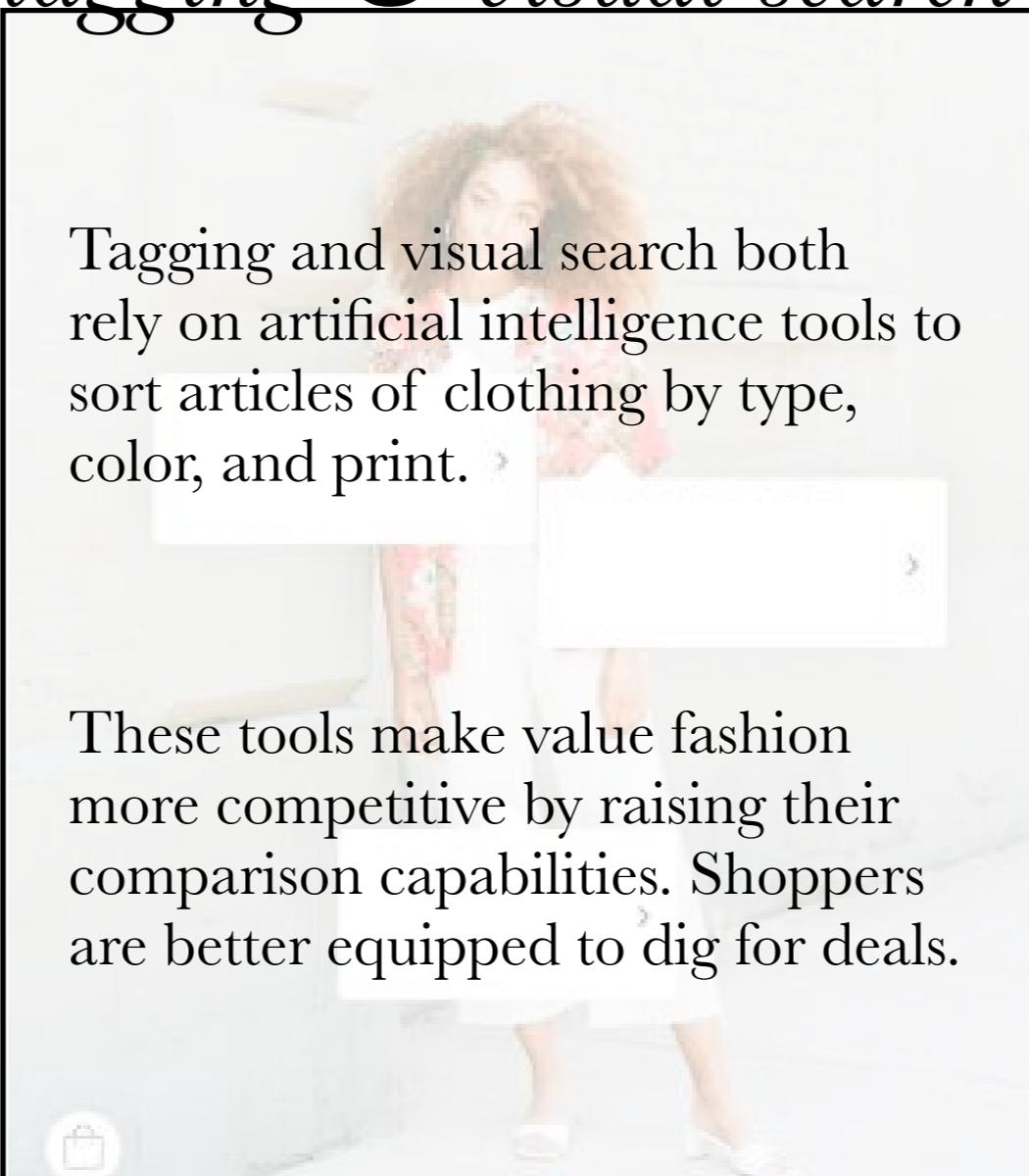
This enables fast fashion brands like Zara to manufacture and design up to 50% of their collection in the middle of the season.

ZARA

tagging & visual search
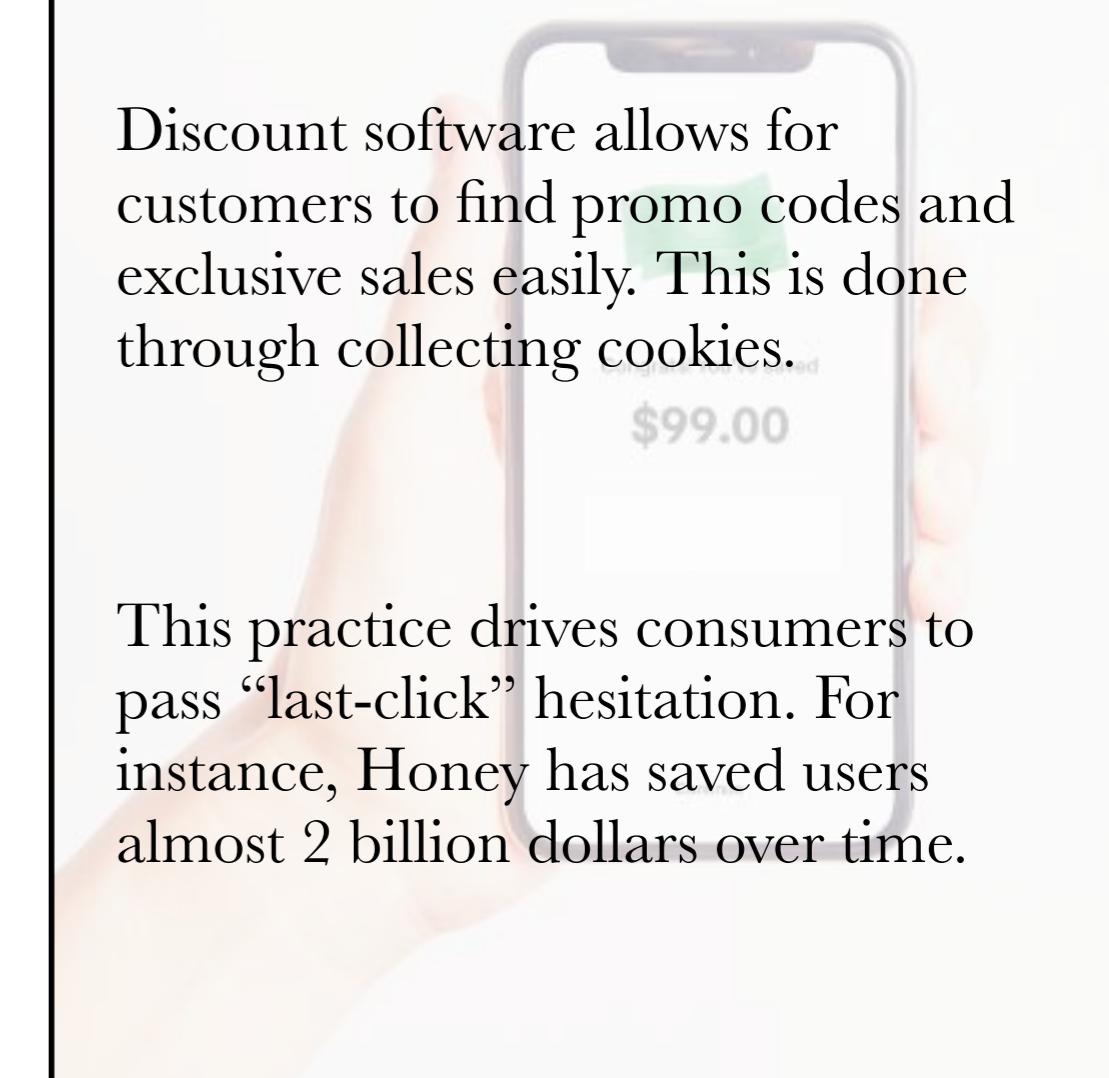
Tagging and visual search both rely on artificial intelligence tools to sort articles of clothing by type, color, and print.

These tools make value fashion more competitive by raising their comparison capabilities. Shoppers are better equipped to dig for deals.

Hootsuite Blog; Instagram

discount software

Discount software allows for customers to find promo codes and exclusive sales easily. This is done through collecting cookies.

This practice drives consumers to pass "last-click" hesitation. For instance, Honey has saved users almost 2 billion dollars over time.

Honey Browser Extension

Startups

	GRANA	CURALATE	Glisten.AI
Founded	2014	2011	2012
Funding	$16M	$40M	$150K
Product	Unisex Clothing	Tagging Platform	Tagging APIs
Purpose	Works directly with textile mills to sell affordable, quality apparel on a platform	Links products with social media posts and provides ecommerce consumer analytics	Creates product tags for apparel in online retail databases and ecommerce platforms

Mature Companies

	H&M	boohoo	honey
Founded	1947	2006	2012
2019 Revenues	$23.7 bn	$1.1 bn	N/A
Product	Unisex Clothing	Unisex Clothing	Browser Extension
Purpose	Utilizes manufacturer connections to sell disposable, essential apparel at low prices	Uses influencer sponsorships to sell cheap fashion directly to millenials	Automatically finds and applies discounts to products on partnered websites

2. midmarket
adding quality and craftsmanship while embracing sustainability

Everlane

resale culture
capitalizes on limited supply and growing sustainability trends among consumers
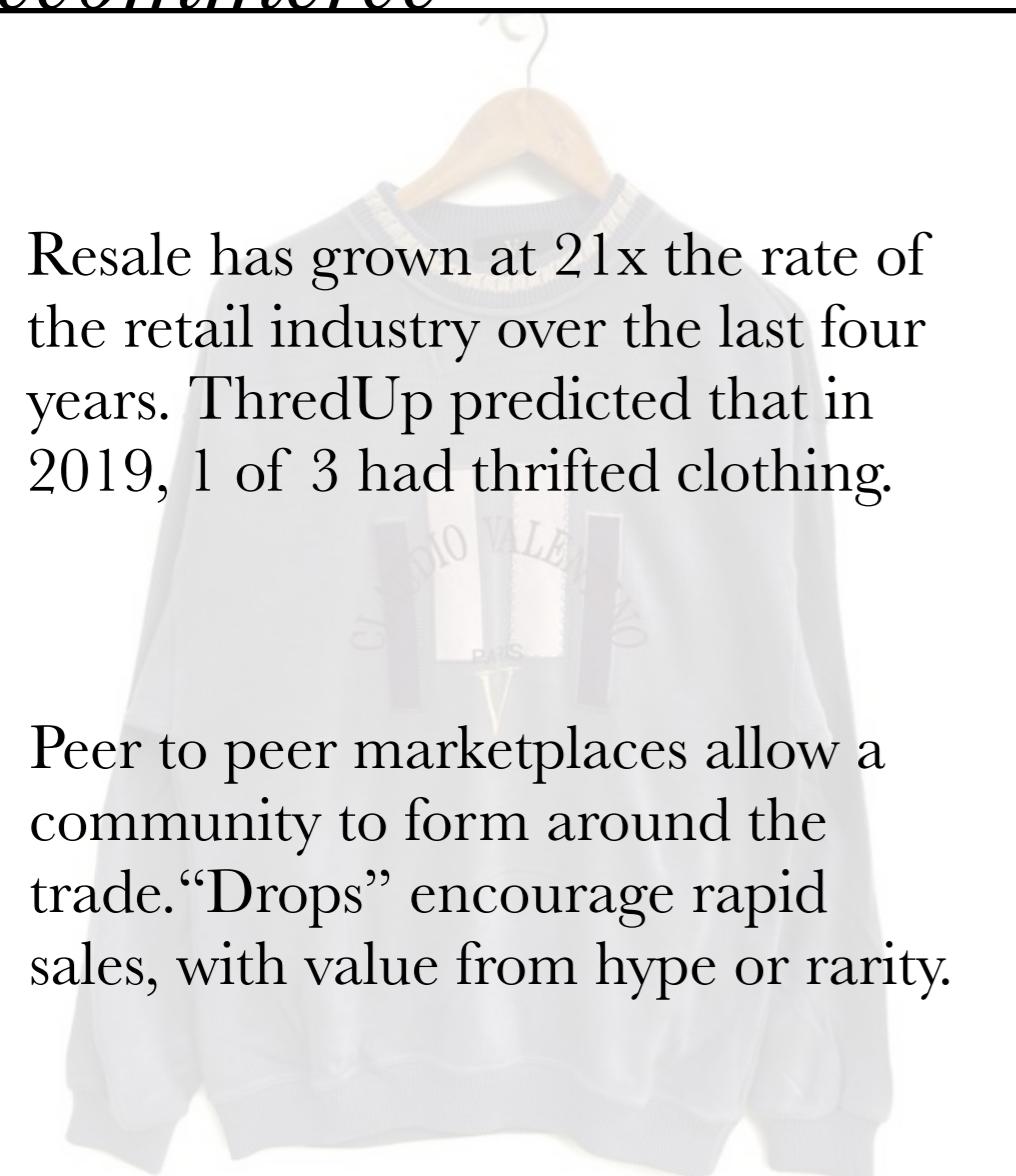
recommendations
generated through AI increase engagement and improve customer satisfaction

boutique markets
asserts midmarket affordability and quality for high-fashion designs

Midmarket

recommerce
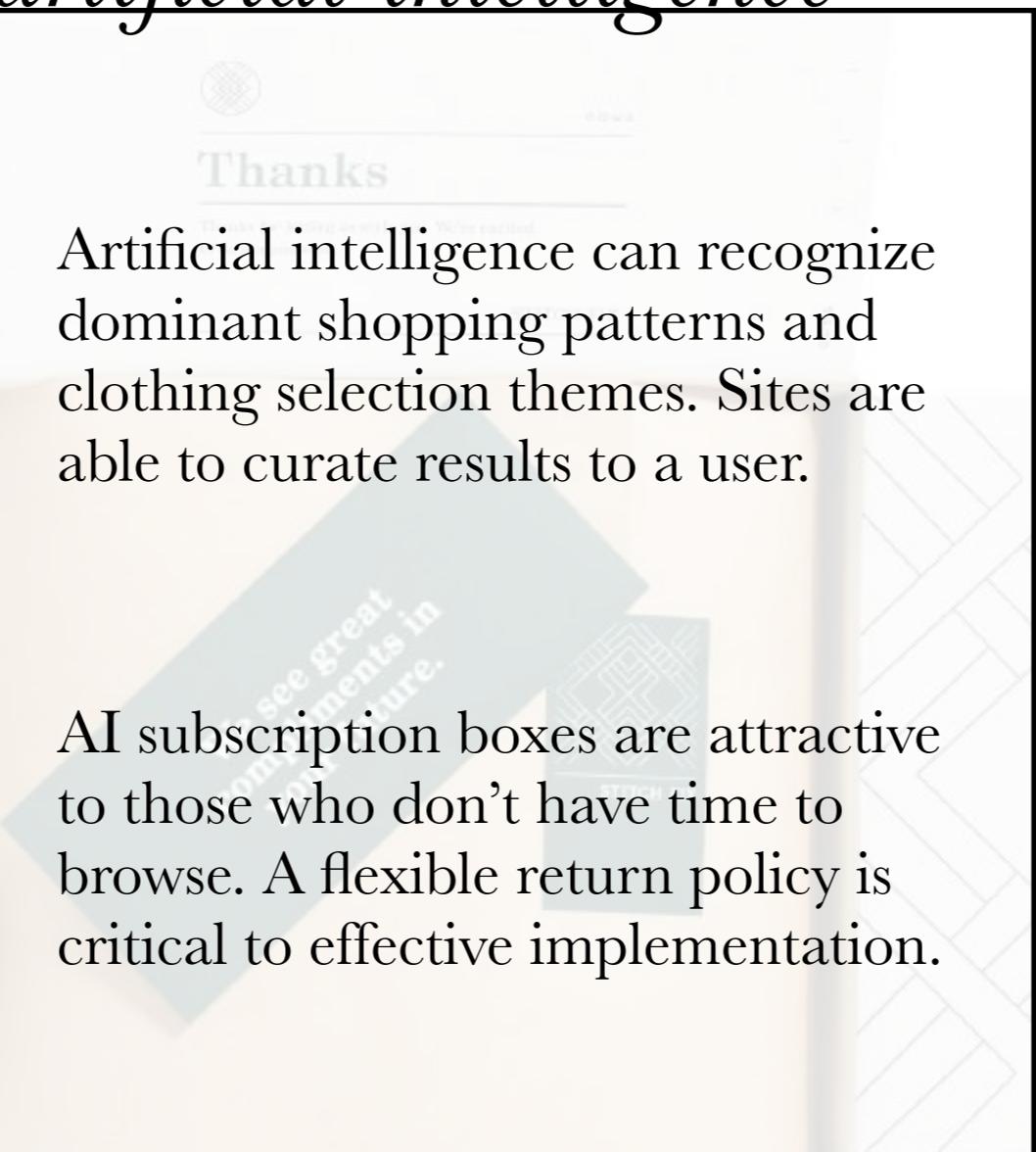
Resale has grown at 21x the rate of the retail industry over the last four years. ThredUp predicted that in 2019, 1 of 3 had thrifted clothing.

Peer to peer marketplaces allow a community to form around the trade. "Drops" encourage rapid sales, with value from hype or rarity.

Grailed, listed by Division2

artificial intelligence

Artificial intelligence can recognize dominant shopping patterns and clothing selection themes. Sites are able to curate results to a user.
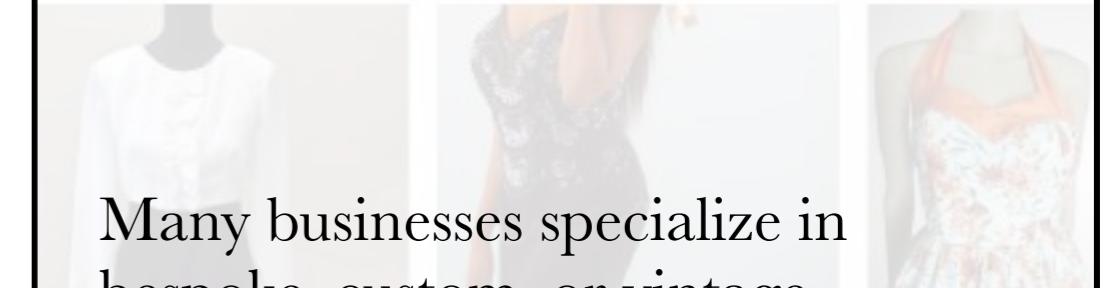
AI subscription boxes are attractive to those who don't have time to browse. A flexible return policy is critical to effective implementation.

StitchFix

boutique markets

Variety marketplaces allow independent creators a platform. Through these websites, 2.5 million sellers can sell products.

Many businesses specialize in bespoke, custom, or vintage apparel. This allows more people access to less common products.

etsy.com

Startups

	depop	intelistyle	THRED UP
Founded	2011	2006	2009
Funding	$106M	$778K	$306M
Product	Used Apparel	AI Software	Used Apparel
Purpose	Resells used clothing on a platform and hosts small designers alongside large brands	Personal assistant that suggests clothing based on fashion trends and consumer activity	Thrifting and consignment platform that provides bonuses for popular brands

Mature Companies

	STITCH FIX	sas	Rue lala
Founded	2011	2006	2009
2019 Revenues	$1.6 bn	$2.0 bn	N/A
Product	Used Apparel	AI Software	Used Apparel
Purpose	Subscription box service that matches apparel to consumers through AI	Creates fashion marketing campaigns based on consumers' social media activity	Provides online boutiques and sales for members that change every day

3. luxury & editorial
adapting heritage prestige to technology

overhaul
of traditional
luxury limitations
extends reach and
style influence

clothing rentals
allows customers to
experience luxury
for a more affordable
cost and lifestyle

integrated tech
combines the
ingenuity of tech
and the novelty
of high fashion

Luxury & Editorial

self-disruption
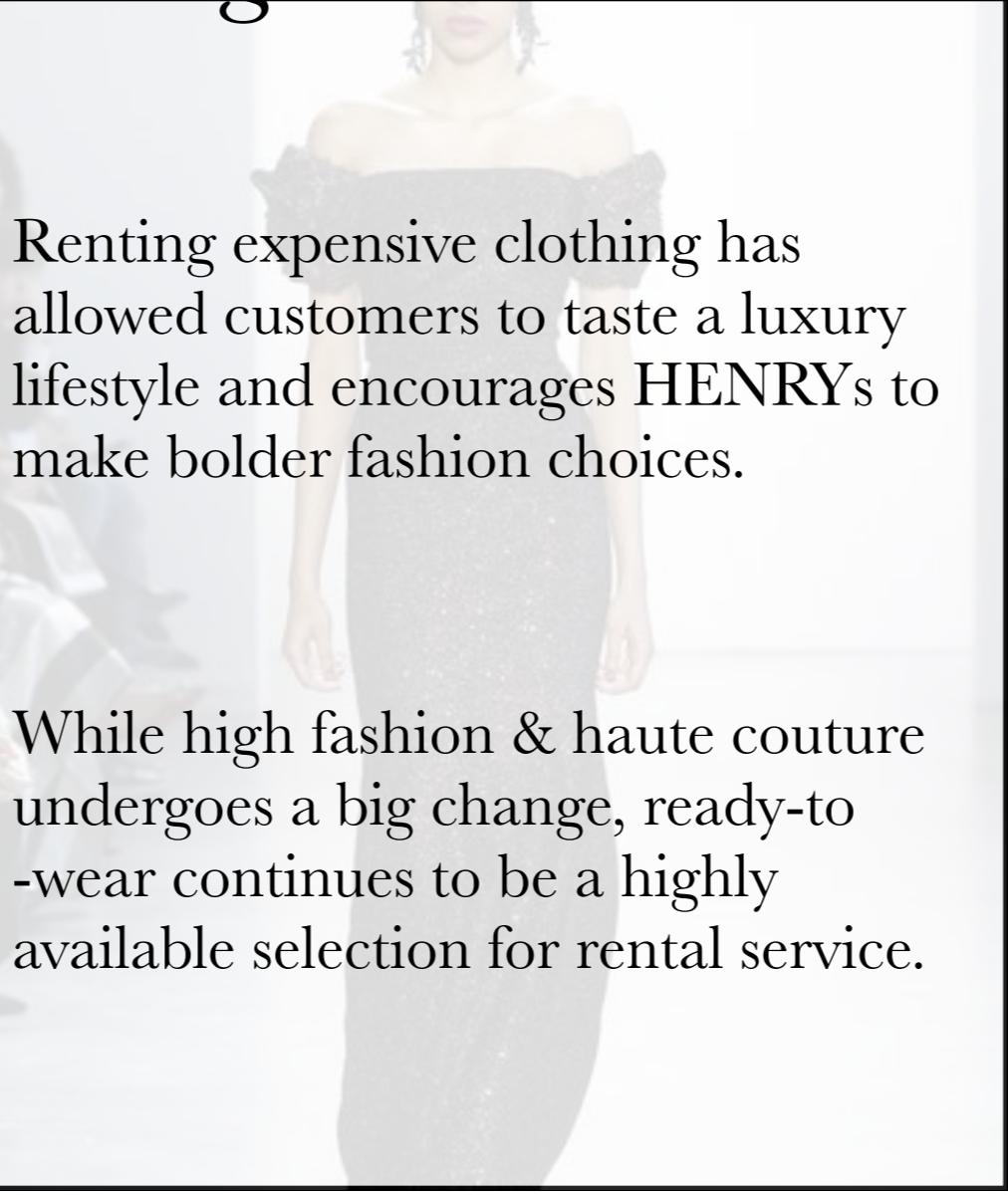
Self-disruption, such as exclusivity, brand reimagination, and adoption of trends, makes luxury brands relevant and aspirational.

Social media especially facilitates the relevancy campaign through peer referral codes, native advertising, and influencers.
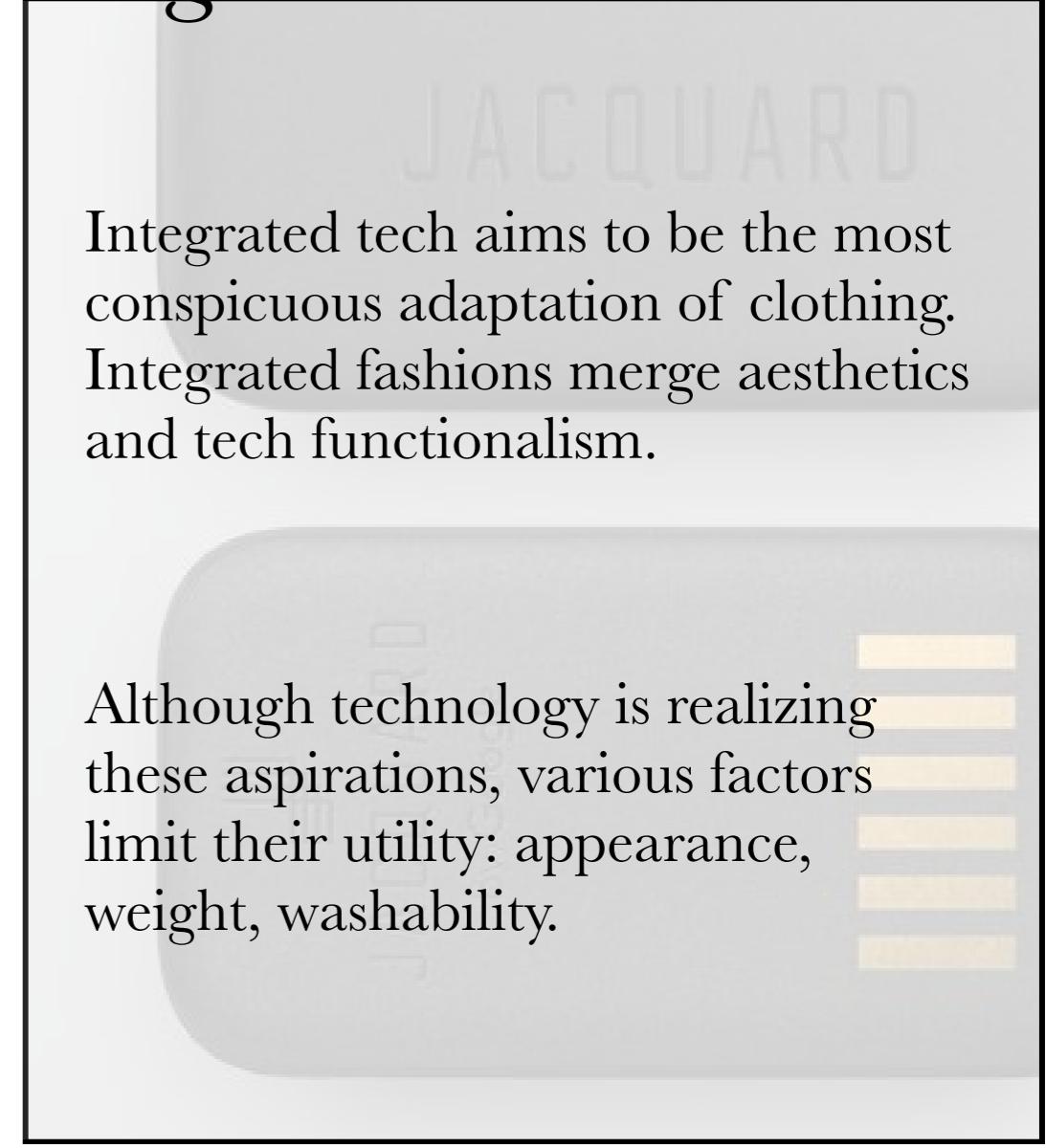
@balenciaga

clothing rentals

Renting expensive clothing has allowed customers to taste a luxury lifestyle and encourages HENRYs to make bolder fashion choices.

While high fashion & haute couture undergoes a big change, ready-to -wear continues to be a highly available selection for rental service.

Badgely Mischka F2020

integrated tech

Integrated tech aims to be the most conspicuous adaptation of clothing. Integrated fashions merge aesthetics and tech functionalism.

Although technology is realizing these aspirations, various factors limit their utility: appearance, weight, washability.

Google Jacquard 2.0

Startups

	GRAILED	RENT THE RUNWAY	goop
Founded	2014	2009	2008
Funding	$16.5M	$337M	$75M
Product	Used Apparel	Women's Apparel	Unisex Apparel
Purpose	Resells men's apparel on a platform focusing on limited edition luxury items	Rents designer dresses and accessories out to women through an online platform	Sells apparel and goods based on Gwenyth Paltrow's lifestyle choices

Mature Companies

	BURBERRY	GUCCI	JACQUARD by Google
Founded	1856	1921	2017
2019 Revenues	$2.7 bn	$10.7 bn	N/A
Product	Unisex Apparel	Unisex Apparel	Smart Wearable
Purpose	Legacy fashion company with clothing "drops", partnered with Apple	Legacy fashion company launching a sustainability platform for fashion and news	Tech company partnering with luxury brands to bring wearables to fashion

Exit Landscape

BONOBOS → **Walmart**
$310M

NGG NEWGUARDSGROUP_ → **FARFETCH**
THE WORLD'S GREATEST SELECTION OF LUXURY
$675M

YOOX NET-A-PORTER GROUP → RICHEMONT
$3.3B

STITCH FIX
$120M   2017

REVOLVE
$212M   2019

The Real Real
$300M   2019

Our Opportunity

AI tools

late stage

marketable

clothing rentals

Rental services provide unprecendented access, flexibility, and choice in clothing.

Especially with shifting dynamics in the value of clothing, rentals are a great way to try trends.

Rental business models extend the usable life of a product and encourage a circular solution.

artificial intelligence

Stitch Fix was able to turn a profit on their personalized subscription boxes within their first 6 years.

Receiving personalized styling has been considered a premium practice not accessible by most.

These recommendation tools create returns when they're accurate and affordable for more consumers.