



Tomorrow's fashion

Profiling premium fashion buyers in 2020



ET LE PAIEMENT
S'ADAPTE À VOS CLIENTS

Editorial

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Whether it's premium fashion or high-end ready-to-wear, we are talking about the same segment positioned between luxury and mainstream (including fast fashion). Such a positioning is more affordable than luxury but still maintains creative and premium features. It remains a trendy segment that attracts an increasingly large audience as shown in our study entitled "*Les Français et la mode premium*" ("French people and premium fashion"), Cofidis/Opinion Way. at least once a month, 28% of consumers purchase accessible luxury items (upwards of €150). This figure rises to 39% among those aged between 25 and 34. This age group is more sensitive than others to everything that is status-related.

Against this backdrop, fashion brands are no longer in a position to ignore the emerging showcase of social networks. Having studied the look of their idols and influencers on Instagram and Facebook on a daily basis, the younger generations get the impression that their clothes and accessories are more accessible and within their grasp. All the more reason to develop this trendy market. As such, brands are strongly encouraged to expand their product range. and create new services.

In fact, nowadays, split payments are all the rage when you shop at high-end ready-to-wear brands. This is an innovation since, until very recently, such brands refused this service because they were convinced it would tarnish their brand image. Our study shows that the reverse is true. Split payments provide a genuine opportunity to find a new customer base from the middle class and younger generation segments. Both seek to purchase creative and premium items.

At Cofidis Retail, we are in direct contact with the market. We wanted to provide insights into this established trend, with a focus on the typical consumer profile. We also wanted to discover their consumption habits and the preferred payment methods in the industry.

By way of illustration, our e-book focuses on stories and testimonials from customers, Zapa and Lulli sur la Toile, a fashion specialist, Pierre-François Le Louët, President of the *Fédération du prêt-à-porter* (French Ready-to-Wear Federation) as well as experts from his team.

Happy reading!

Postface

THE POST-COVID WORLD

How do we bounce back post-Covid? That is the question all fashion retailers ask themselves. There is no obvious answer since we have little to fall back on in order to develop hypotheses. What we do know is that Covid-19 has already affected the consumption habits of French people who were forced to stay at home and transition from offline to online purchasing.

Some consumers will have developed new habits during lockdown and will have changed some of their purchasing habits for the long term. For this reason, traditional retailers who had only just started their e-commerce business will have to step up their digital transition.

However, the crisis and the lockdown have also underscored trends that started to gain ground, such as the consideration of consuming in a different way. This caused a boom in the second-hand and rental markets. For fashion brands, this may translate into less frequent purchases with emphasis placed on well designed, well produced items made from more ethical processes. If we factor in the economic crisis on top of the pandemic, it is very likely that a weakened segment of the French population will not so easily spend like they used to.

It is up to retailers to find ways to encourage consumption amongst the French public. Split payments form part of the multitude of services that can be deployed, while also being adapted to this unprecedented context.

The fashion revolution has begun!



The move to premium

WHO ARE THE FASHION VICTIMS?

With regard to premium fashion purchases, the gap between men and women is reduced insofar as their profiles are similar. Our customer is a city-dweller with a penchant for in-store shopping and more targeted consumption of ready-to-wear. The difference primarily lies in their preferred method of payment. The health crisis has strengthened French people's requirements regarding the production of premium fashion products. The French indicated that they give priority to products that are Made in France (87%).

The French also pay special attention to products' manufacturing conditions (81%) and where they're made (80%). The pandemic has also flipped Premium fashion distribution upside down. Unsurprisingly, the lockdown sparked a decline in in-store purchases (69%, -8 pts since January 2020), which was largely offset by online sales (47%, +9 pts). French people indicated that now more than ever, they prioritise independent retailers to make their purchases.

MEN



53% of men buy premium fashion

82% prefer bank card payments

56% are fans of split payments in 3 to 4 installments

32% of men make such purchases to treat themselves

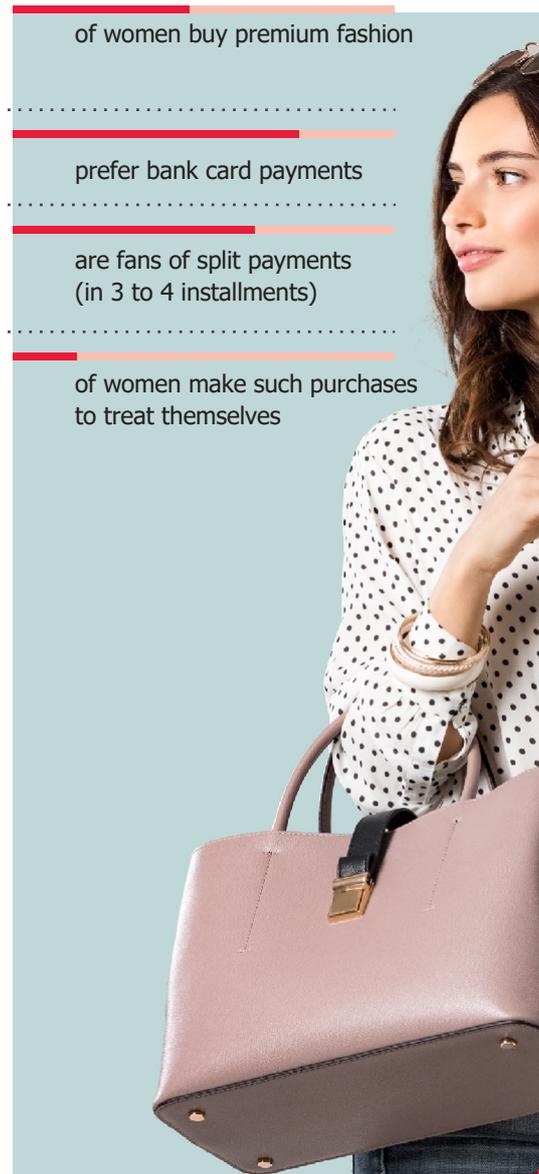
53%

82%

56%

32%

WOMEN



48% of women buy premium fashion

77% prefer bank card payments

61% are fans of split payments (in 3 to 4 installments)

19% of women make such purchases to treat themselves

48%

77%

61%

19%

COMMON DENOMINATORS

38% Privileged socio-economic category

32% City-dwellers cities with +100,000 inhabitants

22% live in Greater Paris

74% use social networks

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* Source: study entitled "les français et le luxe accessible" ("French people and accessible luxury") - OpinionWay survey for Cofidis Retail - 2020

69% OF PREMIUM FASHION BUYERS CONSUME IN-STORE FIRST

64% try before they buy

35% browse collections

25% seek advice



47% GO DIGITAL

51% because there is greater choice

35% to avoid stores during the health crisis

26% for logistical reasons (outlets and stores too far away)



74% OF BUYERS USE SOCIAL NETWORKS

32% of premium fashion buyers follow brands and influencers on social networks

70% of premium fashion buyers acknowledge their influence

51% BUY PREMIUM FASHION PRODUCTS TO TREAT THEMSELVES

56% buy ready-to-wear (excluding coats and shoes)

66% treat themselves several times a month



“ The premium fashion industry will follow market trends and the web’s influence will grow in size amongst the younger generations. Web to store and store to web are also set to develop.

Our aim is to support all our retailer partners regardless of their business segment. As such, we provide an omni-channel subscription experience combining the world of retail with the web. We provide a made-to-measure experience based on our partners’ business segment.”

Matthieu Biesbrouck,
Product Owner, Cofidis Retail

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A runway of payment solutions

fashion

RED CARPET TREATMENT FOR SPLIT PAYMENTS

The bank card is the natural, go-to payment solution for French people and is used the most for premium fashion purchases. Young people who are generally less well off than their elder counterparts prefer to use gift cards or even private label cards for their purchases. These are payment cards distributed by brands and which bear their logo.

They provide access to brand loyalty programmes, promotions and private sales. Consumers, who are increasingly demanding, expect a variety of payment solutions to meet their needs. Hence the need for split payments linked to private-label cards since those who use them can do so several times a month.

Likewise, there is a cumulative effect when payment facilities are added to the loyalty programme: the customer benefits from a payment made in several stages whilst building up loyalty points.



FOR 80% OF SURVEY RESPONDENTS, THE BANK CARD IS NATURALLY THE MOST USED SOLUTION FOR PREMIUM FASHION PURCHASES

85% overrepresentation of households earning more than €2,000 per month

32% of 18 to 24-year-olds use gift cards and 17% use private-label cards



“ Staggered bank card payments (3-4 installments) have special appeal with younger generations since they provide an easier and faster customer experience. Paying in three or four installments is as easy as a single bank card payments. Split payments let younger generations access high-end products and at the same time protect their budgets.”

Gaëtane Pechon,
Marketing Project
Manager, Cofidis Retail

60% ARE OPEN TO PAYMENT FACILITIES

Split payment (3 to 4 installments)

59% are interested in split payments (3 to 4 installments)

72% of 25 to 34-year-olds would be interested in split payments

65% OF ONLINE BUYERS ARE INTERESTED IN SPLIT PAYMENTS (10 TIMES)

60% of those interested are young people aged 18 to 24

New look for Zapa, with its 3-installment bank card payment solution

With its sleek and sophisticated collection, Zapa (turnover of €55 million in 2019) typically targets active women in the privileged socio-economic category, aged between 35 and 50. The premium brand sought to consolidate and expand its customer base.

Zapa's Chief Financial Officer and IT Director, Margareth Tran, sat down with us to discuss the premium ready-to-wear house's strategy.

When did you decide to start working with Cofidis Retail?

We met the teams about a year ago. Initially, we tested out the Cofidis Retail 3-installment bank card payment solution (3XCB) in a dozen retail outlets. Our aim was to provide this payment solution for all purchases over €100.

The test was a success and we then deployed the solution across our network (110 stores) including franchisees and outlets. Our customers can also use the 3-installment payment solution (3XCB) from our website if they want to shop online. This means we offer this complementary service across all our sales channels.

Why did you choose 3XCB? Historically, our customers had the option of making staggered payments using deferred cheques. We wanted to modernise our payment solutions. We are currently running both facilities. However, long-term, we will only use the Cofidis Retail solution. At Zapa, our top priority is always to satisfy our customers. This is why we have deployed the solution for the Group's new brand: Tara Jarmon. By year-end, the solution will be live at all our locations.

How does 3XCB support your business?

We needed an effective payment solution that lets our customers make a purchase whilst transforming it into a positive experience. 3XCB meets both these criteria, providing us with a strong sales pitch. Whenever a customer is hesitant to buy an item, our sales assistants suggest making a split payment and



more often than not, that customer makes the purchase. Deferred payment lets customers treat themselves and helps them manage their budget better at the same time. They feel less pressured in the moment. Close customer-sales assistant relations are crucial in developing brand trust. They ensure a worry-free purchasing experience.

How did you develop the technical side of the solution set-up?

We just finished the overhaul of our electronic payment terminals with Neo System and used the same period to set up the Cofidis Retail solution. Set-up was fast and our sales teams were not affected at any time by this innovation.

In terms of our website, Cofidis' technical teams supported us in deploying the solution on our payment page. They also developed a back office for us to view all our transactions. With Cofidis Retail, everything is automated unlike filing cheques which require handling.

How does this new payment solution fit within your customer relationship programme?

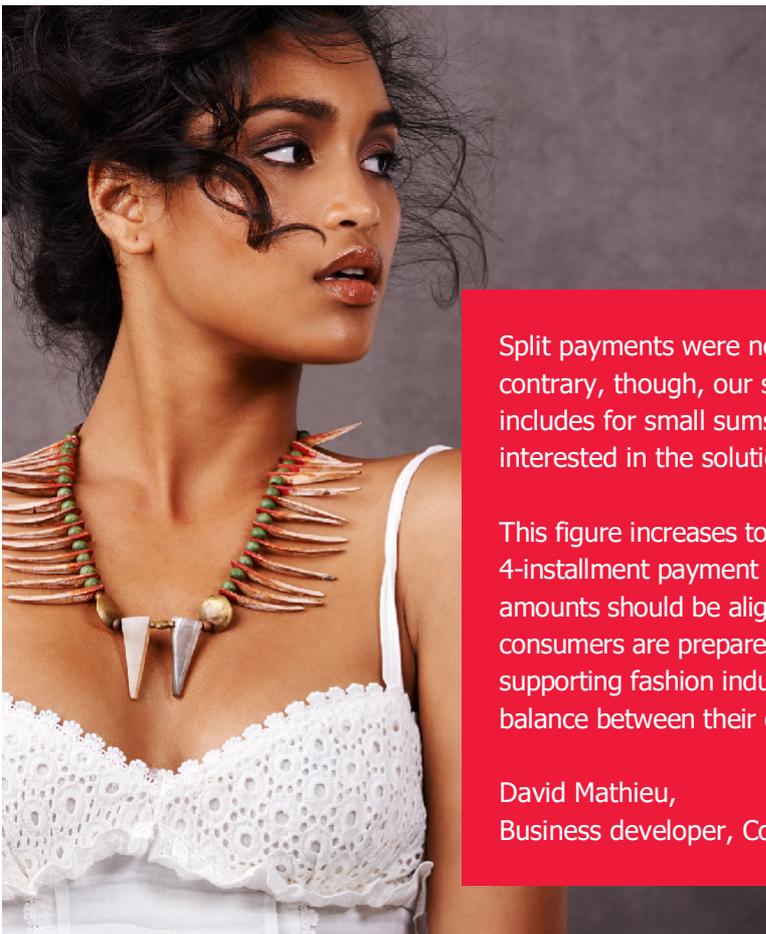
Again, everything runs automatically. We offer premium loyalty cards to our customers who spend at least €1,000 a year in our networks. This entitles them to a 30% reduction on all their spending. Our sales assistants monitor their transactions in a dedicated space. Cofidis Retail's tool is linked to our Customer Relationship Management (CRM). This lets us collect all of our customers' information.

Our web systems communicate effectively, which allows us to pre-fill subscription forms. Our customers enjoy a seamless subscription experience.

What projects are in the pipeline?

The 3XCB subscription can be completed on mobile phones and we have also developed a mobile first experience. For this reason, our sales assistants will soon have tablets to work with.

Tablets will grant them direct and live access to our customers' history and preferences. This means our sales representatives will be in a position to offer more personalised advice and ensure continuity in the purchasing experience. Our sales assistants will be able to complete sales with customers at a physical retail outlet and retrieve all their personal information.



Split payments were not commonplace in the premium industry. On the contrary, though, our study has validated the use of this solution. And this includes for small sums of money. 29% of interviewees claim they are interested in the solution for a payment of €150.

This figure increases to 53% for a purchase worth €300, with half preferring a 4-installment payment (4XCB) solution. In an ideal scenario, timeframes and amounts should be aligned to be as close as possible the monthly budget that consumers are prepared to use to purchase the item. This is our way of supporting fashion industry brands in an effort to help them find the right balance between their customers' budget and their Premium positioning."

David Mathieu,
Business developer, Cofidis Retail

“ 30% of Lulli sur La Toile orders are made through split payments ”

The multi-brand group, Lulli, which is headquartered in Marseille, was founded in 2002. It owns seven physical stores, a commercial website that went live in 2009, a few corners in department stores, a guesthouse and a franchise Isabelle Marant boutique. Lulli is a fast-growing and specialist fashion house. In the last two years alone, the House posted 50% growth in its turnover. Coline Raynaud, Marketing and Communications Director at Lulli sur la Toile reveals all about how split payments boosted his business.

Tell us about Lulli's business model.

We purchase products from 150 creators that are showcased in our concept stores, retail outlets and online. We offer a wide range of products, ranging from ready-to-wear to accessories, to bags and items for interior design. In a nutshell, our products span the entire lifestyle segment.

You have partnered with Cofidis Retail for a number of years. Why did you choose to deploy a split payment solution?

Our recorded average spend is rather high at €350. Split payments make it easier to convert sales. On the one hand, it makes it possible for younger customers who have fewer means to buy Lulli items. On the other, it lets our regular customers purchase more than they initially planned. The 3XCB/4XCB system combined with other payment methods (bank card, PayPal, etc.) offers customers peace of mind. It lets them spend without feeling too guilty since payments for their purchases are staggered over time. It also reflects our own brand history. We needed to keep pace with our competitors who had already rolled out this solution.



How do split payments support your strategy?

They are exclusively used on our website, which has 250,000 unique visitors per month. Initially, we set a minimum purchase target of €300. However, we lowered our target to €200. This not only expanded the scope of our customer base but also increased our sales.

At the same time, we raised the maximum price ceiling to €2,000. To date, 30% of our orders are made through split payments. Potential is what matters because today promotion remains rather discreet. We are currently revamping our website and will further integrate split payments into our online customer experience features. Our aim is to increase its visibility both on our homepage and the top line on a par with the free return offer we provide. We want to highlight this service and provide our customers with reassurances as soon as they discover Lulli sur la Toile.

This move is in line with the roll-out of our extended service policy. In particular, this year, we are

planning to launch click & collect and e-bookings services as well as new methods of transportation for our deliveries. We will also integrate a new channel-focused search engine.

This innovation ties in with the payment facility. For instance, many of our members use the website to look for a present. It is a reason for their visit and split payments provide an almost seamless way for them to make an additional purchase. To this end, we are promoting our split payment solution in each item's product description. This is often what helps to convince our customers since they only have to click and add their item to the basket in order to benefit from 3XCB/4XCB.

Tell us more about your mobile strategy.

Mobile is the cornerstone of our strategy. 70% of our traffic is now generated through mobile.

This is why customers can use 3XCB/4XCB on their mobile devices. It's now a must for consumers!

The subscription section has a mobile-first design, delivering a seamless experience.



Payment is fashionable!

At Lulli sur Toile, seamless payment is key to our customer experience. The purchasing experience needs to be worry-free, simple and fully accessible. On this basis, we must consider the customer experience as the driving force in retailers' proposed purchasing experience. We were inspired by Zalando's *Pay later* option which led the change. It also forms the basis of our at-home fitting room concept. Practically speaking, this new service lets you order and receive items and you can then try them on and only pay for the ones you like. It's a massive perk for Zalando customers. As a result, they have two weeks to try on their items at home and they only have to make payments for the items they have kept after that time period. Both retailers and pure players are providing these kinds of new services. Concretely, we are basically talking about a deferred payment solution.

EXPERT VIEWPOINT: PIERRE-FRANÇOIS LE LOUËT, PRESIDENT OF THE *FÉDÉRATION DU PRÊT-À-PORTER*

How did accessible luxury begin?

This market started to develop in France about ten years ago, with the rise of Sandro, Maje, Claudie Pierlot, Zapa and Lulli sur La Toile. They stand out for their sophisticated product lines, with premium finishes and materials. They use the codes of luxury that can also be found in-store or online whilst offering premium-level service. The premium brands largely owe their origins to Paris' Sentier district which is synonymous with a responsive and trend-setting approach.

How has the customer base developed in the accessible fashion niche?

This contemporary fashion first developed in Paris. Nevertheless, it quickly caught on across the other regions since it appealed to the taste of women who travelled to the capital for the occasional shopping spree.

Naturally, millennials are the most visible manifestation of this customer base. They have their own codes and buying habits which are developing very rapidly.

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As things stand, they express an interest in accessories and high-end make-up, such as a branded lipstick. However, the Cofidis Retail study shows that contemporary fashion has a larger target audience.

The study reported that 33% of consumers are interested in the rental market. Will this trend become more widespread?

Absolutely, the rental market is picking up. Recently, the Parisian label, Bash, released communications regarding its rental items. The second-hand and

resale markets are now commonplace amongst consumers. They are also sustainable since they extend product lifecycles which is very in keeping with the times.

One final question: do you think this accessible luxury trend is set to continue?

Definitely. We are seeing a new generation of brands that will meet the expectations of customers who seek novelty. We must not forget initiatives led by luxury brands either. They have moved their product ranges upscale and downscale through "access price" policies. It's all about "streetwear chic" right now.



Valérie Cambres, Head of Business Development, Cofidis Retail, analysed the split payments solution in relation to new consumer trends.

Our study illustrates that players need to constantly reinvent themselves in order to keep up with new consumer trends in the fashion and beauty industry. Our flexible solutions adapt to the needs of retailers and we are able to support them in responding to new trends (Paylater, Click & collect, etc.).

On the other hand, Pierre-François Le Louët is right to point out that today's consumers are developing new models to access luxury. Some of these include second-hand purchases, rentals, trading and private sales. 33% claim they are interested in rental services in our study and preferably via the net (36% of respondents).

To win customers and gain their loyalty, it is in the best interests of brands to integrate these new circuits into their sales ecosystem. Brands must do this with or without a partner. One example is Galeries Lafayette joining forces with start-up, Panoply, which provides a clothes rental service. Another example is Bocage, a shoe brand of the Eram group, which launched the first shoe rental service in France. Both scenarios have harnessed the potential of rentals as a recruitment driver, which has extended the brands' reach to new customers on the market.

Customers may then start off by renting and move to premium brands. Against this background, brands are offering a new method of financing without tarnishing their image, since the number one priority is providing value-added service to new customers.

Clearly, rental is one of these emerging trendy services and the fashion industry has caught on. Cofidis Retail is in the process of reviewing these consumer trends and habits with a view to adapting its offer and supporting brands looking to grow in this segment. Stay tuned!



ABOUT COFIDIS

As an expert in split payment for over 30 years, Cofidis Retail supports your development whether on the web, in retail outlets or at home with CofidisPay, our omnichannel payment solution. At Cofidis Retail, we deliver a seamless payment experience across all channels. More than anything, our customers are your customers. Together, we foster relationship excellence and help them to tackle the unexpected and achieve their plans and ambitions.

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