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JANUARY - APRIL 2020 • ACTIVEWEAR

COVID-19 Consumer Shifts in Activewear

Introduction | Covid-19 Situation | Performance Overview |
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Introduction

Due to its severity, the Covid-19 crisis has sparked a global work from home movement. [88% of organisations across the globe](#) have either recommended or instructed employees to work from home. With the number of cases picking up in recent weeks, there is much uncertainty on when this movement will come to an end.

The fitness industry is deeply affected by Covid-19. Having relied heavily on physical locations, the [fitness industry is reinventing itself](#) for the current conditions. ClassPass has rolled out live workouts for subscribers and offers free workout videos. Furthermore, fitness studios around the world are streaming free workout sessions on Instagram. Now that consumers have unprecedented access to fitness videos, there is an expected increase in activewear sales.

As the virus has spread across the west over month, there continues to be high numbers of new cases reported daily. Meanwhile, cases in some Eastern countries have started dwindling. However, there has yet to be a definitive answer on whether activewear is growing in both markets

This report aims to observe consumer shifts in Western and Eastern markets to identify opportunities in activewear. More than 56,000 data points were screened from January to April 2020 across women's activewear brands retailing in the US and Hong Kong markets.

All data used in this report comes from products retailing online as tracked by Omnilytics, unless otherwise mentioned.



Covid-19 Situation

The Covid-19 situation in the US and Hong Kong was similar at the initial stages. Although the number of cases in both countries started increasing rapidly in March, the US took a turn for the worse.

The US

In the early stages, the situation did not warrant much concern. New York was the first state to take the hit, where the number of confirmed cases spiked in early March. Andrew Cuomo, governor of New York, declared a [state of emergency](#) due to the coronavirus on March 7. Soon after, President Trump declared the virus a [national emergency](#).

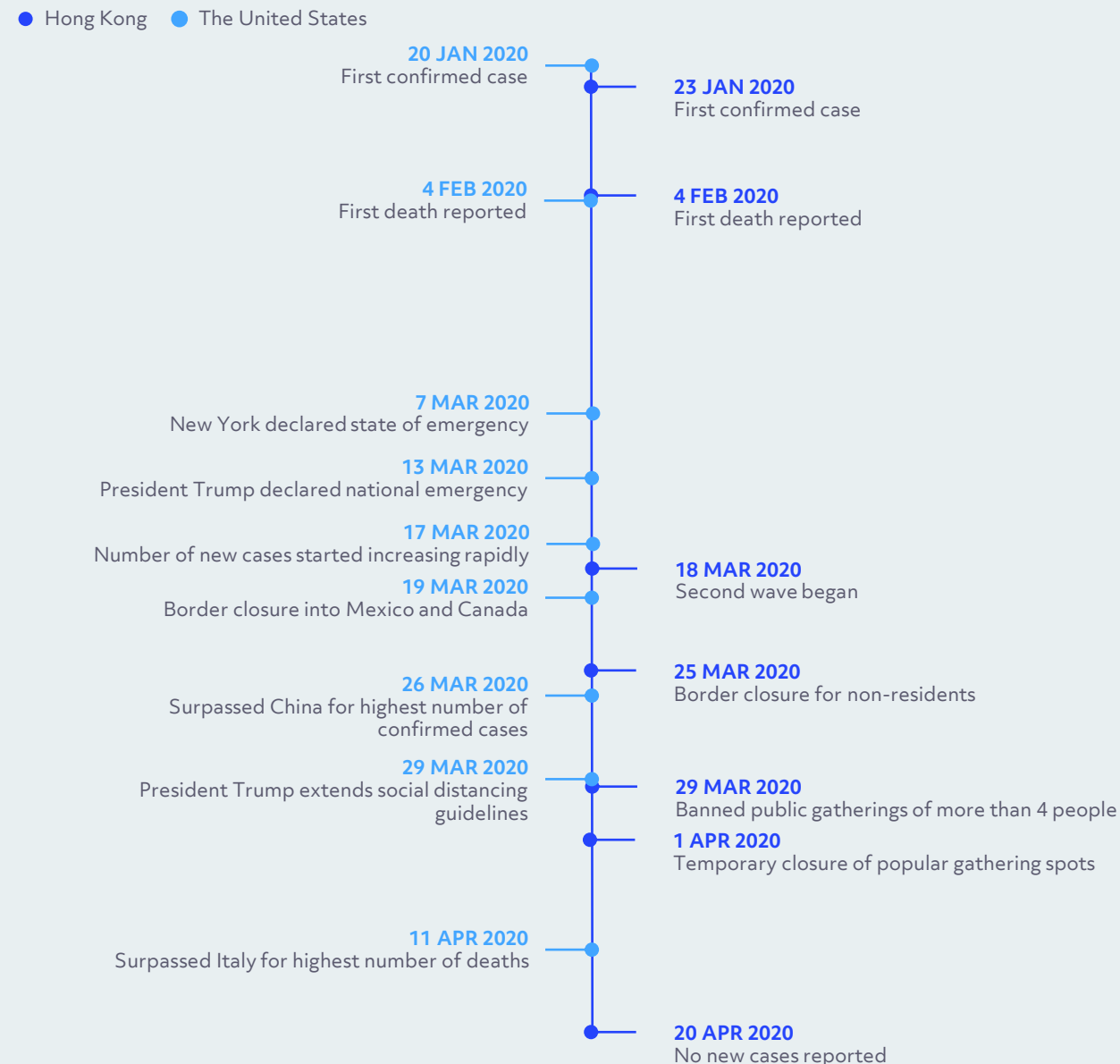
The number of daily new cases started increasing rapidly in mid March, with the US overtaking China in highest number of cases towards the end of the month. Despite border closure and extension of social distancing guidelines, the US currently holds the highest death toll.

Hong Kong

The SARS pandemic in 2003 saw Hong Kong as the epicentre of the outbreak. SARS left an imprint on the country, clearly seen as citizens adhere to [social distancing guidelines and companies implementing work-from-homeschedules](#).

A second wave of the coronavirus occurred in mid March. Shortly after, Hong Kong closed its borders to non-residents, inclusive of transiting flights. The government did not impose any lockdown measures, only ordered temporary 14-day closure of popular gathering spots like karaoke lounges, mahjong parlours and nightclubs. Government measures combined with [proactive citizens](#) resulted in no new cases reported on April 20, a sign of Hong Kong overcoming Covid-19.

CHART 1: TIMELINE OF KEY COVID-19 EVENTS IN THE US AND HONG KONG



Performance Overview

The two markets were analysed to observe the performance of activewear in the east and west. The markets were also evaluated to observe consumer behaviour in different stages of the Covid-19 crisis – where insights obtained are indicative of such behaviour.

Nike US has a wide distribution strategy that consists of more than 10 retailers, resulting in a large assortment.

Overall Performance

The total sell-out rate in the US was 21% higher than Hong Kong, signalling a higher overall demand in the first 4 months of the year.

Average discounting over the period was similar in both markets. The new-in rate for the US was high at 65% and low for Hong Kong at 33%.

We'll dig deeper into the key differences before and after the second waves in each market.

CHART 2: BRAND POSITIONING AND PERFORMANCE BY MARKET

Market	Brands	Positioning			Performance	
		Assortment SKUs Count	Median Price (USD)	% of Discounted Items	New-In Rate	Total Sell-Out Rate
US	Nike	31,649	80	49%	70%	69%
	Adidas	6,398	63	51%	57%	65%
	Puma	6,147	66	64%	40%	45%
	Lorna Jane	1,887	57	57%	94%	51%
Total US		46,081	74	52%	65%	65%
Hong Kong	Nike	3,831	110	44%	34%	51%
	Adidas	2,617	79	50%	24%	40%
	Puma	1,791	56	61%	27%	36%
	Lorna Jane	1,901	59	59%	85%	41%
Total Hong Kong		10,134	80	51%	40%	44%
Total Activewear		56,215	67	52%	61%	50%

Performance Overview (cont'd)

Change in Newness

A spike in newness followed the worsening Covid-19 situation in the US in March – 57% of new arrivals were launched after the surge in cases. The opposite is true for Hong Kong, where new-in items since March accounted for 33% of new arrivals for the entire period.

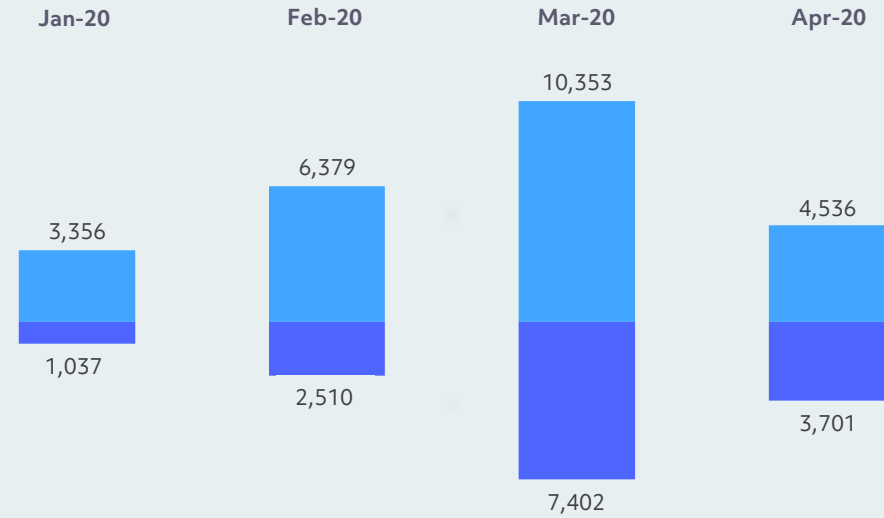
First Time Discounting

In the US market, the strategy for first discounts mirrored newness, evidencing a positive relationship between the two tactics. On the other hand, the number of first discounts in Hong Kong did not fluctuate despite decreasing newness.

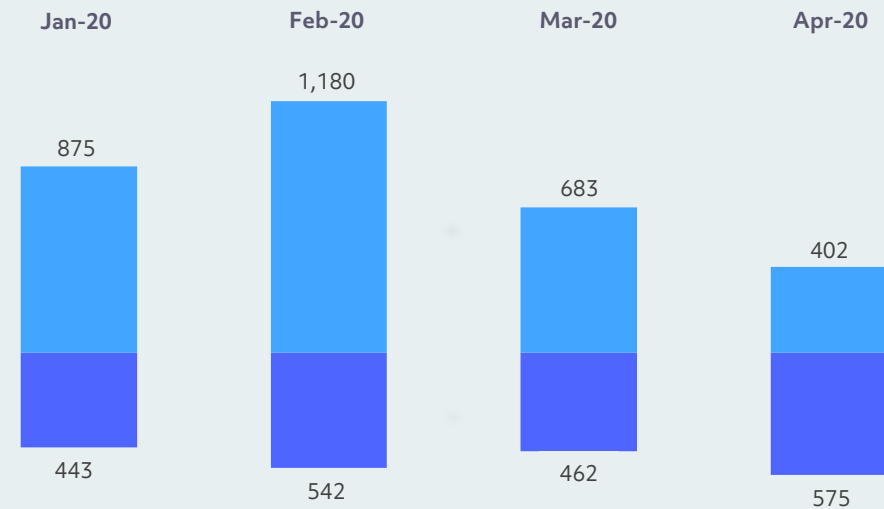
This demonstrates the key differences in newness and first time discounting between Western and Eastern markets.

CHART 3: NEW-IN VS FIRST DISCOUNT BY MARKET

The United States



Hong Kong



Performance Overview (cont'd)

Activewear brands are shifting their inventory to be sold online, due to physical store closures. In the US market, activewear brands have released 4,500 more SKUs in March and April month-to-date compared to January to February.

Stock Movement

Online sell-out rates for activewear were below 25% in the first two months of the year for both markets. When the number of cases started rising in March, online sell-out rates in the US surpassed 35%. The performance of the Hong Kong market was different with sell-out at 26% in April month-to-date – indicating that the demand for activewear in Hong Kong did not increase significantly. This suggests the Hong Kong market has not benefited from the global work from home phenomenon in the activewear segment.

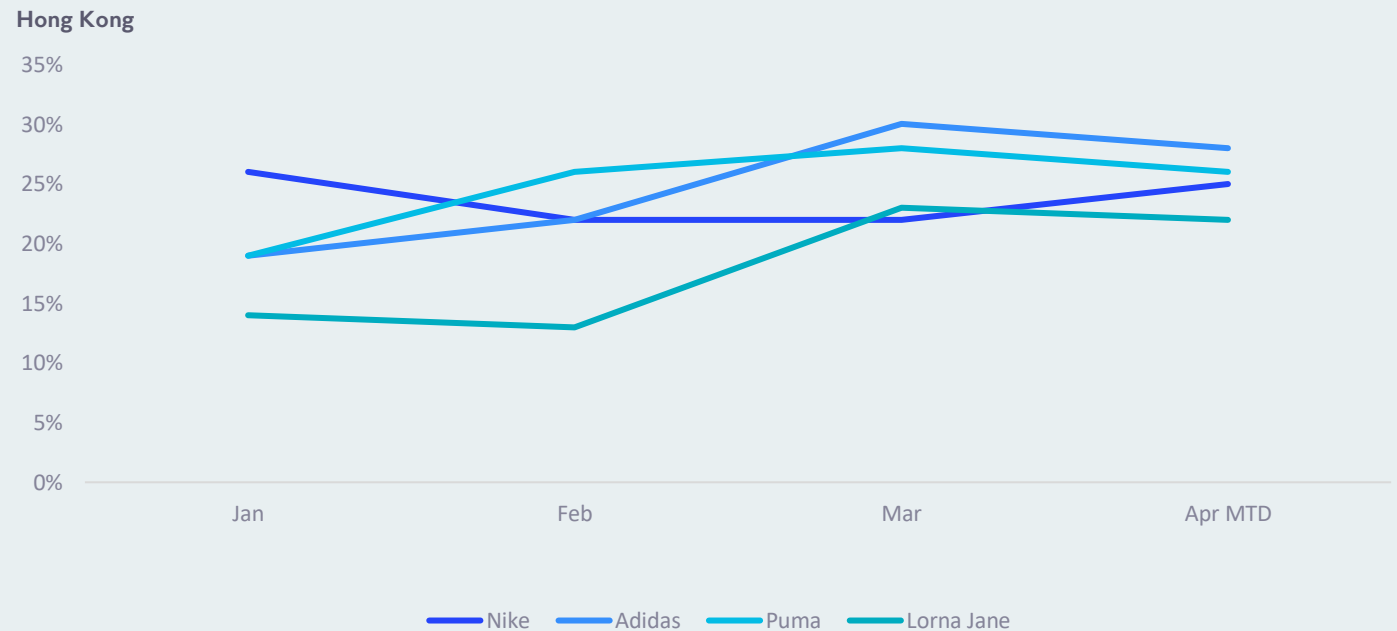
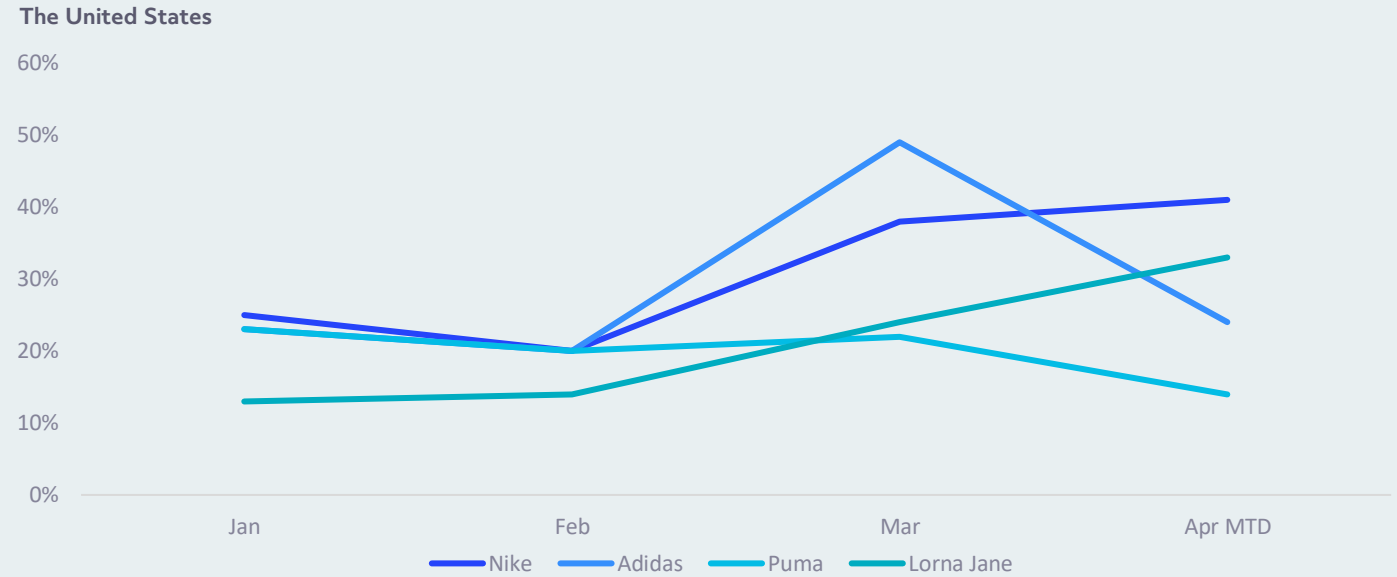
Brand Performance

Nike's US sell-out rates steadily increased after the Covid-19 situation worsened, making it the best performing brand. This is largely due to the brand offering its [premium version of Nike Training Club app to US consumers for free](#). The move saw more than a 100% increase in weekly active users. The engagement with the fitness app translated into sales for the brand. On the flip side, Puma's US sell-out actually decreased despite the increase in demand.

Performing brands in Hong Kong differed from the US, where Adidas topped. Lorna Jane had the lowest sell-out, however the brand had the highest uplift for sell-out after the second wave of the virus hit.

CHART 3: BRAND POSITIONING AND PERFORMANCE BY SEGMENT

CHART 4: ONLINE SELL-OUT RATES BY MARKET



Performance Overview (cont'd)

New-In Discounting

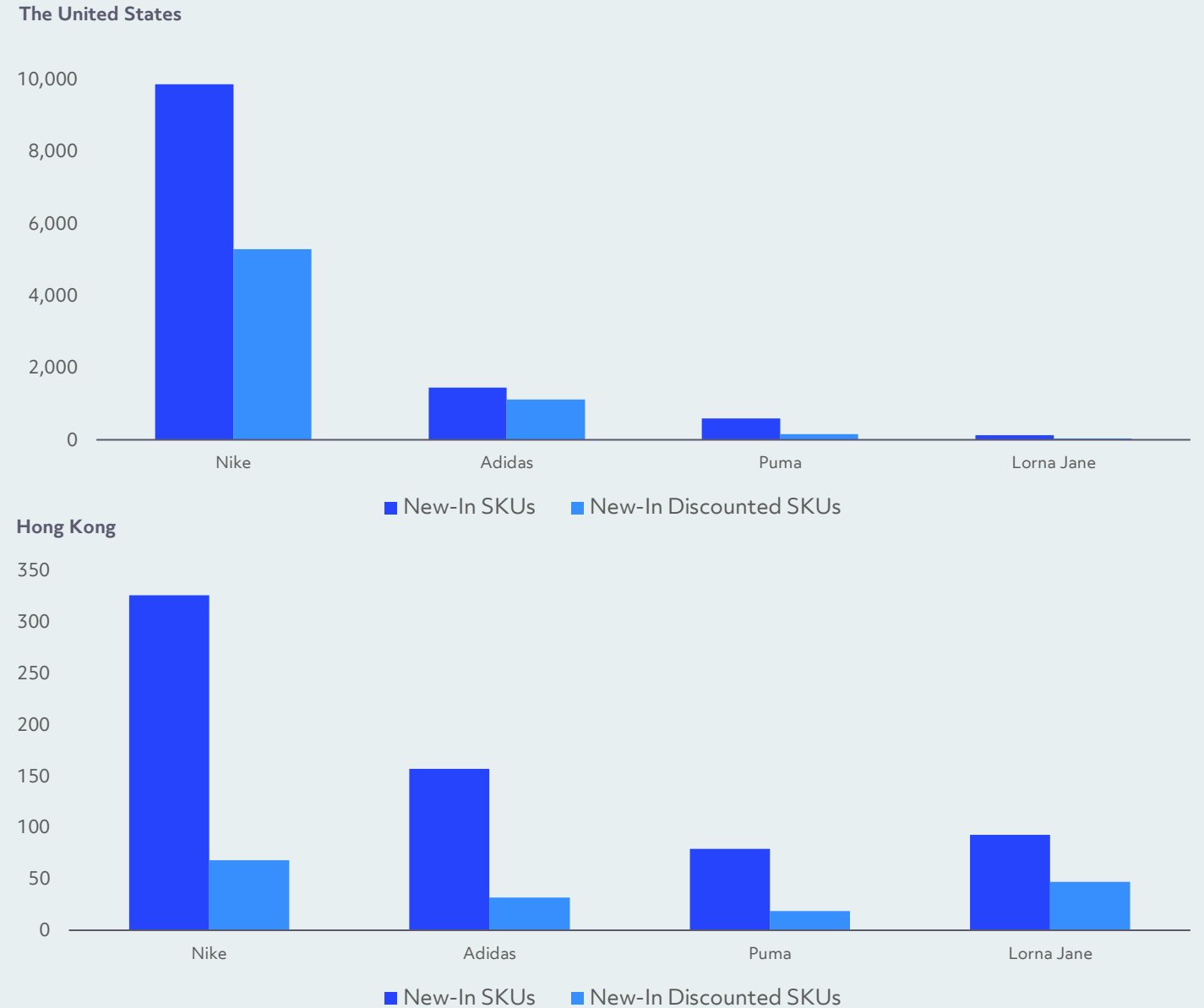
55% of the newness launched after the virus struck the US again in mid March was discounted. The two activewear giants favoured launching new arrivals at discount. New-in discounting for Adidas and Nike were 77% and 54%, respectively – aiming to drive out and maximise sales during this period.

The brands took a different approach in the Hong Kong market, where new-in discounting was only 26%. Moreover, Lorna Jane led with discounting 51% of newness.

Despite the differences in new-in discounting tactics, the common discounting brackets in both markets were the same. Nike, Adidas and Puma leaned towards the 20-29% discount bracket. However, Lorna Jane frequently discounted new arrivals at 60-69%. This strategy has proven effective in Hong Kong where Lorna Jane garnered the highest uplift in sell-out since the second wave hit.

CHART 1: BRAND POSITIONING AND PERFORMANCE BY SEGMENT

CHART 5: ONLINE SELL-OUT RATES BY MARKET



Consumer Demand Shift

As the world stays home due to safety concerns, so do celebrities and influencers. Social media has been flooded with hashtags like #selfisolation, #quarantinelife and #quarantineworkouts.

Consumers are staying home to comply with lockdown requirements, giving them more time to scroll their social media feeds. Social media engagement has [increased by 61% from normal usage rates](#), making celebrities more influential than ever.

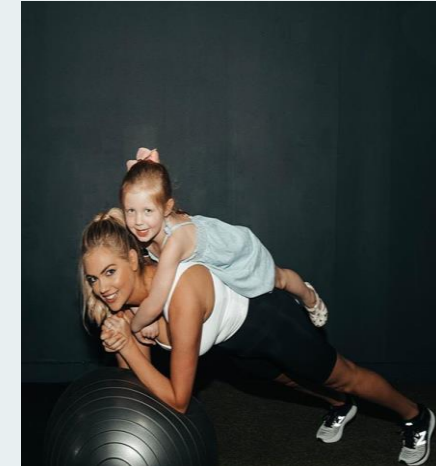
Many celebrities have jumped onto the quarantine workout bandwagon, posting their workout outfits and videos of their routine online. Vanessa Hudgens and Kate Upton posted their workout chic. Jessica Alba and Ashley Graham are just a few of the many stars that have posted their workout videos, garnering a high number of views. Additionally, celebrities have been creating and participating in fitness challenges. Tom Holland challenged his fellow Marvel co-stars to a [handstand challenge](#) which went viral.

Another social media platform that has garnered much interest since the quarantine life began is TikTok. The video platform saw an [18% week-on-week increase in downloads](#) in the US when Covid-19 cases began increasing. Tiktok commonly sees its audience posting dance videos, while frequently clothed in activewear.

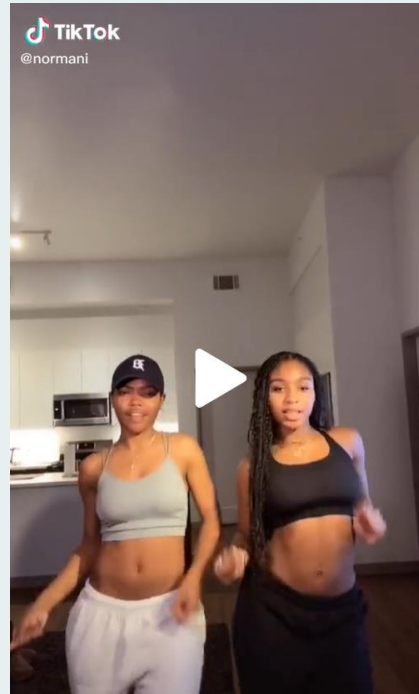
The combination of celebrity influence and livestream workout sessions from fitness brands and studios are garnering interest and creating demand for activewear among consumers.



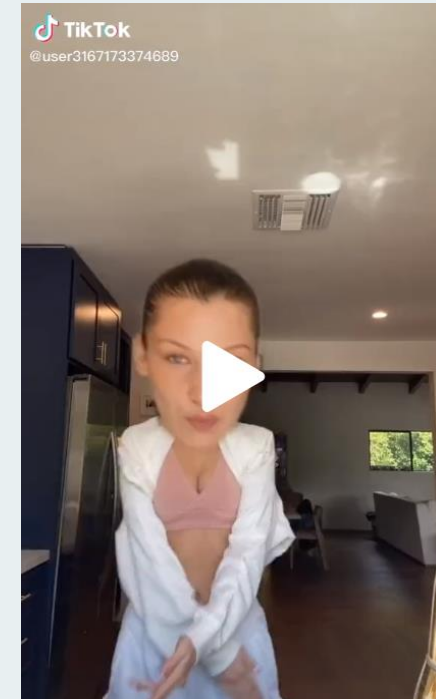
Instagram @vanessahudgens



Instagram @kateupton



TikTok @normani



TikTok @babybella777

Category Performance

The US activewear market has benefited from the global work from home phenomenon since the virus spread rapidly in mid March. Here are the top 3 key categories with the highest number of SKUs sold.

Activewear Shoes

The category performed well as 9,775 SKUs of Activewear Shoes were sold out at full price. 69% of these fully priced items were priced between 50-150 USD, demonstrating a good entry price for other brands carrying Activewear Shoes.

Activewear Tops & T-Shirts

The category had high discounting at 61%, resulting in 58% sell-out. Activewear Tops & T-Shirts had the highest discounting at 69%, of which most products fell in the 20-29% discount bracket. Additionally, popular fashion colours were red, pink and yellow – signalling that consumers prefer warm tones for Activewear Tops & T-Shirts.

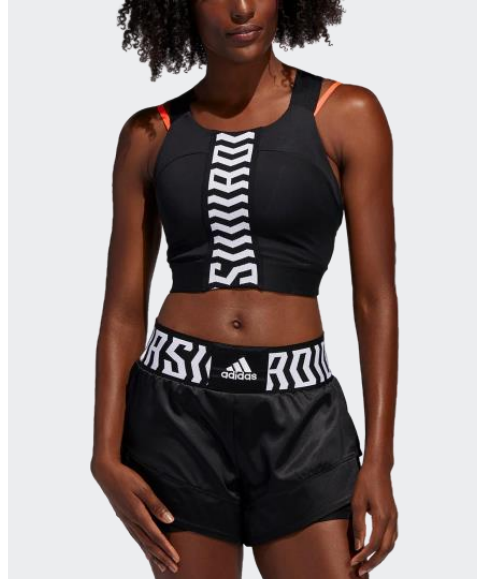
Active Outerwear

80% of Active Outerwear was priced below 100 USD, with 52% category sell-out. Similar to Activewear Tops & T-Shirts, the category saw pink, red and yellow as top performing fashion colours. This further solidified consumer preference for warmer tones.



Puma RS-X³ Nova Glitz Trainers

USD 90.65



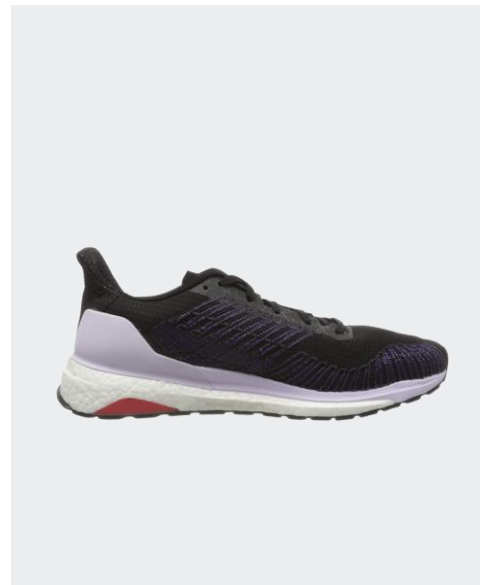
Adidas Women's TKO Cross-Back Cropped Tank Top

USD 25.99



Nike Women's Sportswear Mesh Tie-Dye Watermelon Jacket

USD 90.00



Adidas Women's Jogging Cross Country Running Shoe

USD 106.69



NikeCourt Dri-Fit Top

USD 44.97



TFS Retro Track Jacket

USD 63.75

Category Performance (cont'd)

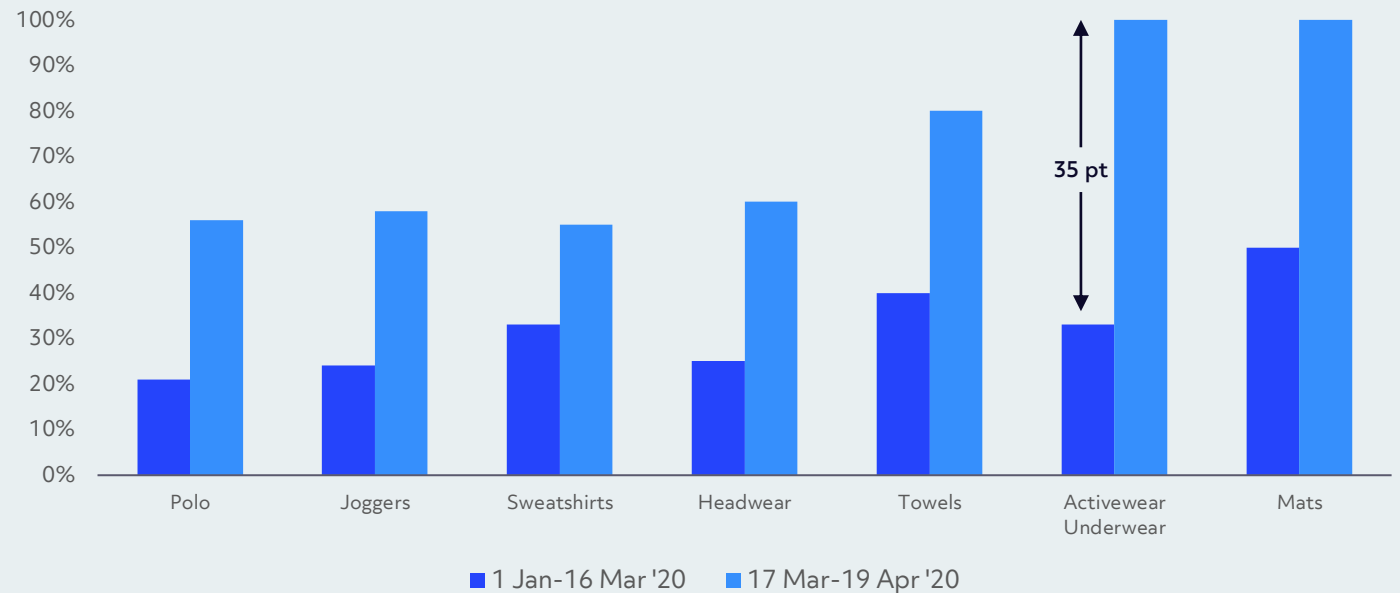
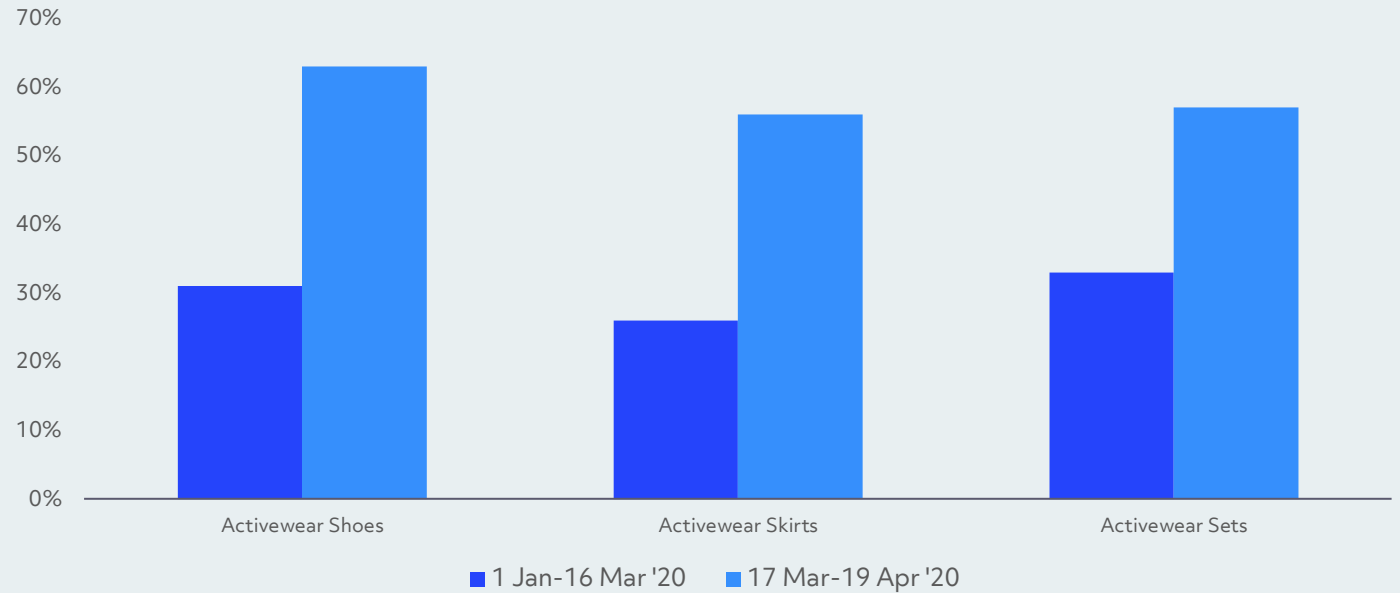
Additionally, there are categories that saw high growth in sell-out after the condition in the US worsened.

Activewear Shoes had the highest uplift at 32 percentage points, followed by Activewear Shorts and Activewear Sets. The two runners-up show a great opportunity for growth as these categories have lower SKU counts than Activewear Shoes. This means that there is less competition in these two categories, increasing product visibility in online retail spaces.

Upon further digging, the subcategories with the highest surge in sell-out were Polos, Joggers and Sweatshirts with percentage point increases of 35, 34 and 21, respectively.

Activewear apparel isn't the only category that saw massive growth, improvement has also been observe in Activewear Accessories. There was a 35 percentage point increase in Headwear sell-out. Moreover, Active Underwear and Mats achieved 100% sell-out, however the number of SKUs offered were limited to below 5. Complete sell-out post surge in number of cases indicates that there is a strong demand in these subcategories, caused by the abrupt switch from outdoor workouts to indoor, leaving consumers without the proper equipment.

CHART 6: US SELL-OUT RATES BY CATEGORY AND SUBCATEGORY



Conclusion

Main Findings

Understanding Differences in Local Market Demand:

Although the work from home phenomenon has affected consumers globally, not all markets have benefited from it. Sell-out rates soared in the US but only had minimal growth in Hong Kong.

The increased sell-out rates are an indication of shift in consumer behaviour in the US. Consumers are leaning into fitness, causing a corresponding uplift in demand for activewear.

Since sell-out in Hong Kong did not achieve the same result as the US, the difference in consumer behaviour between Western and Eastern markets is observed.

Identifying Gaps in the Market: The high sell-out rates for activewear in the US market indicate a good opportunity to potentialize. However, it is important to identify gaps through performing categories and subcategories.

The categories with the highest growth in sell-out were Activewear Shoes, Activewear Sets and Activewear Skirts, demonstrating high demand.

Activewear Accessories is a category that should not be ignored either. Its subcategories, Active Underwear and Mats achieved 100% sell-out, signalling a market gap that can be capitalised on.

Next Steps for Brands

Navigating Consumer Demand: The current global work from home phenomenon does not benefit all markets alike. Brands must be able to understand consumer demands in local markets for better navigation.

Western brands carrying an activewear assortment should observe the performance of global brands to apply similar strategies in pricing, discounting and assortment planning.

Eastern brands must monitor the local market to identify gaps in the market. Focus has to be shifted to these market gaps to create an opportunity to potentialize sales. As for eastern brands offering activewear, future intake for the segment should be reduced to pivot towards gaps in better performing segments in the market.

Generate a Base Forecast: Past data has become irrelevant in manoeuvring the current fashion retail crisis. Brands must evaluate their current situation to form a base through re-forecasting. When generating this forecast, it is imperative that brands be realistic instead of overly-optimistic.

Moreover, having a base forecast helps brands refrain from having a knee-jerk reaction. Premature heavy discounting and cancelling stock can be more harmful despite the good intentions. Maintaining a good relationship with the supply chain might be a short-term pain but it will lead to a long term gain once the coronavirus situation eases up.



Definition of Key Metrics

Metric	Description
Assortment SKUs Count	The total count of stock keeping unit (SKU) i.e. the number of styles that a brand offers. In the report context, it is the total product count within a data set.
New-In	The products that are newly added to the retail website within the timeframe selected.
New-In Rate	The number of new products launched by a brand within the timeframe selected. It is calculated by dividing the new-in count over the total product count within a data set.
New-In Contribution %	Calculated by dividing the number of new-in product count over the total new-in count within a data set.
Sell-Out	A product registers a sell-out event when it is indicated as out-of-stock or no longer published on the website.
Sell-Out Contribution %	Calculated by dividing the number of sell-out product count over the total sell-out count within a data set.
Percentage Point Variance (New-In vs. Sell-Out)	Calculated by subtracting the new-in contribution with sell-out contribution on unit percentage difference. Metric is used to indicate sign of potential missed opportunities and overstocking.

Get in touch

Omnilytics is a fashion analytics company that helps brands and retailers – born to make data accessible and insights actionable so that businesses can make decisions with confidence and speed. At the core of what Omnilytics does is the belief that information is power; pairing deep industry expertise and ground-breaking technical innovation to bolster businesses' agility with data-driven insights.

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