



# Nafta Apparel E-COMMERCE Insights

2017 Volume 2, Issue 1



A Publication of Trendex North America



## In This Issue

- Q3 2016 Nafta E-commerce Sales
- Amazon
- Walmart
- HBC
- lululemon
- Nordstrom
- QVC/Zulily
- Target
- Indochino

## Next Issue

- 2016 Apparel E-commerce Wrap Up
- 2017 Nafta Apparel E-commerce Forecast

## It Should Be Noted:

- Gildan
- TJX
- VF Corp
- Walmart
- H&M Canada
- Aritzia

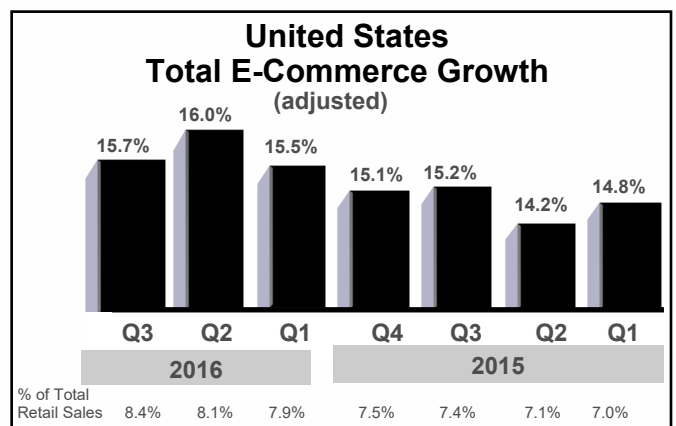
## No Signs Of A Slowdown As U.S. E-commerce Sales Increased By Almost 16% in Q4 2016

E-commerce sales in the United States increased by 15.7% in the third quarter of 2016. The quarter marked the fifth in a row during which e-commerce's growth exceeded 15.5%.

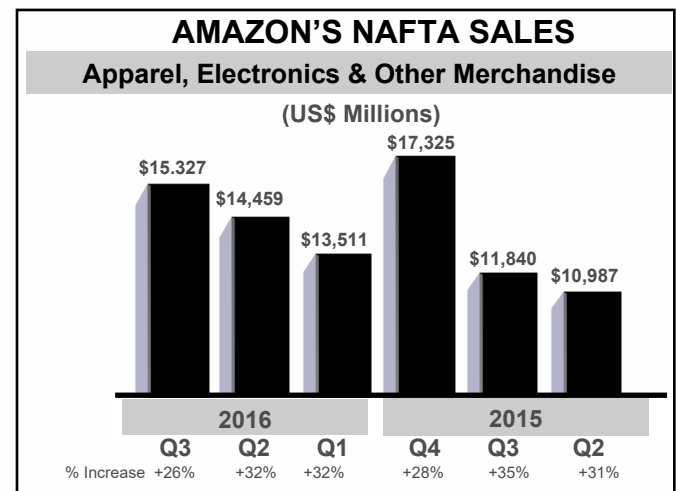
E-commerce's absolute importance for total U.S. retail sales increased again in the quarter, as the U.S. Commerce Department reported that e-commerce accounted for 8.4% of all retail sales. A year earlier, e-commerce accounted for 7.4% of retail sales.

Although E-commerce sales results for Q4 2016 will not be available until the end of February 2017, the U.S. Commerce Department recently published Q4 2016 information for non-store sales which increased 12.8%. This time series includes e-commerce sales, which would indicate that e-commerce sales increased about 16% during Q4 2016.

Undoubtedly, a large part of the growth of U.S. e-commerce sales, at least over the last two years, can be attributed specifically to Amazon's sales growth, and also to the small but growing online sales of groceries.



Source: U.S. Dept of Commerce (August 16, 2016)



Source: Amazon 10 Q

## The Amazon Juggernaut Continues To Roll

Over the past six months no retailer, almost certainly in the world, has undertaken as many first time initiatives as Amazon. From starting its own fleet of airplanes to opening its first brick and mortar store and delivery of its first package (U.K.) by a drone, keeping up with Amazon, in and of itself, could easily become the focus of a separate newsletter.

- continued on page 5



## Yoox Net-A-Porter On Its Way To Becoming Only A M-commerce Retailer

Yoox Net-A-Porter Group, the world's largest online retailer of luxury goods, reported an 11.7% increase in its revenue for the third quarter of 2016.

All three of the retailer's divisions: Multi-brand in-season (+7.2%), Multi-brand off-season (+16.8%), and Online flagship stores (+14.7%) reported above average growth rates. The retailer, which ships to customers in more than 180 countries, reported its sales during Q3 2016 to North America increased by 16.9%, and accounted for 31% of total corporate sales.

During the first nine months of 2016, the retailer's North American sales increased 12.8%. What set the retailers results for the third quarter of 2016 apart from that of other luxury online retailers was its strong sales in the Asia Pacific region, which increased by 33.9%.

Obviously, the retailer is not resting on its laurels, as its CEO revealed plans to grow the company's revenue from between 17% and 20% every year through 2020. To accomplish this objective the company's CEO wants to "transform the company into a mobil only retailer." Currently half of its sales come from smartphones and tablets. By the end of 2020, the percentage should increase to three quarters. It is no wonder the company is emphasizing its mobile business, as mobile customers are the most lucrative group for the retailer, as their average mobile order was US\$366 during the first half of 2016.

Yoox Net-A-Porter Group First Nine Months of 2016		
Division	Company's Sales	
	% of Total Sales	% Increase
Multibrand In-Season	52.9%	+9.5%
Multibrand Off-Season	37.2%	+18.0%
Online Flagship Stores	9.9%	+12.0%
<b>Total Company</b>	<b>100%</b>	<b>+12.8%</b>

Yoox Net-A-Porter Group North American Sales Only			
(Euros: Millions)			
	2016		
	Q3	Q2	Q1
Total Sales	132.9	135.1	133.0
Current Exchange Rate Growth	* +16.9%	+8.5%	16.7%
Constant Exchange Rate Growth	+17.8%	+10.9%	14.3%

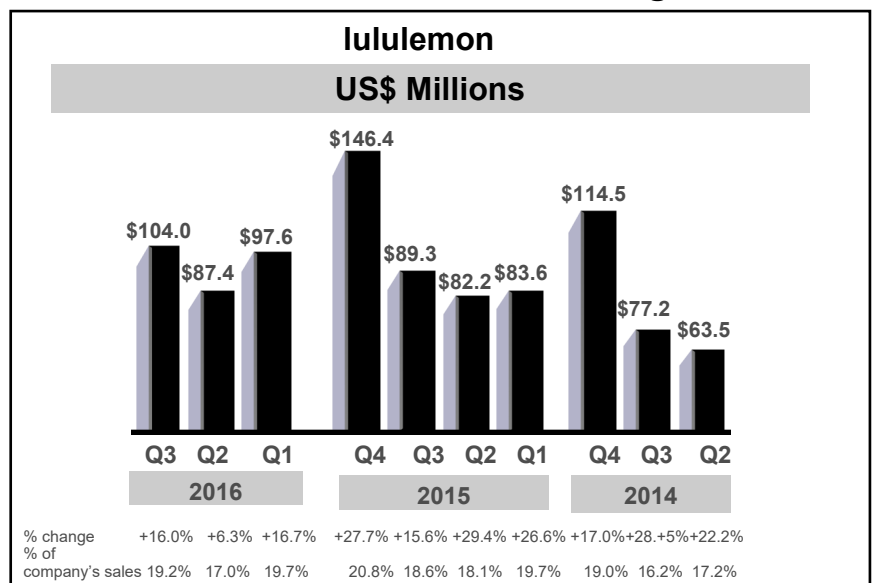
*\*Percent change same quarter year earlier*

## No Sign That lululemon's E-commerce Sales Growth Is Slowing

Vancouver based yogawear retailer, lululemon, who operated 389 stores at the end of the quarter ending October 30, 2016 reported that its e-commerce sales for the quarter increased by 16% and were up 13% during the first nine months of 2016.

During lululemon's third quarter of 2016, e-commerce accounted for 19.2% of the retailers total sales versus 18.6% in the same quarter a year earlier.

As the awareness of the retailers men's line increases, lululemon's e-commerce sales should continue to be one of the primary drivers of its business.



Source: Company's IO Q



## Low Awareness in the U.S. For Amazon’s Private Label Apparel Brands

The word “Amazon” did not appear in *Canadian Apparel Insights* (the sister publication of this newsletter) during its first two years of its publication.

However, aside from a meteor hitting North America, the word “Amazon” will certainly appear in every issue from here on out. Why the focus on Amazon? Well, it’s simply because in 2017 Amazon will be the largest apparel retailer in the United States, and almost certainly will become one of the ten largest apparel retailers in both Canada and Mexico! Amazon’s involvement with the U.S. apparel market began in 2002, and after ramping up its efforts in 2006, the retailer began offering seven private label apparel brands in February of 2016. The question for both apparel retailers and suppliers is to what degree will the launch of Amazon’s private label brands will contribute to Amazon’s increasing dominance of the apparel market?

U. S. CONSUMERS July 2016—Awareness/Purchase			
Amazon Private Label	Aware of the Brand	Knew Brand <sup>(1)</sup>	Purchased Brand
Franklin Tailored	10%	4%	3%
Northern Eleven	9%	3%	2%
Society New York	9%	6%	3%
Scout & Ro	8%	4%	1%
Franklin & Freeman	8%	4%	2%
James & Erin	7%	3%	1%
Lark & Ro	7%	4%	2%

(1) Knew brand is an Amazon private label

While it’s too early to provide a definitive answer to the question, a market research study conducted late in July 2016 provided some early insights. The study conducted by Carbonview Research surveyed a nationally representative U.S. sample of 1,003 16 and older individuals who had shopped for clothes in the past six months.

The research found that:

- Men (54%) more than women (44%) are very/extremely brand loyal.
- Brands are more important in purchasing pants (52%), active/athletic wear (43%), business suits (38%) and blouses/dress shirts (33%), than other products including dresses/skirts (28%), swimwear (24%) and sleepwear (17%)
- Private label apparel brands are seen as superior to national brands only in terms of their overall value and price. While national apparel brands are seen as superior in terms of quality, style, innovation, fit consistency along with fabric, design and color choices. However, of interest was the fact that 41% of mass merchant shoppers believed that the quality of private label apparel brands was equal to that of national brands.
- There is a great deal of confusion among consumers as to the awareness and definition of the term private label apparel as evidenced by the fact that while some respondents indicated they would be willing to purchase private label apparel, but not purchase store brand clothing.
- Awareness of Amazon private label brands is minimal, as only 1% of the respondents could name an Amazon apparel private label brand name. Additionally, on an aided basis, no Amazon private label brand had an awareness level greater than 10%.
- Less than 3% of the individuals who indicated that they were familiar with any Amazon apparel private label brand had actually purchased an Amazon apparel brand.
- Tops (60%), Activewear (52%) and sleepwear (52%) were those categories that consumers indicated they would have the highest likelihood of purchasing private label from Amazon.
- Consumers familiar with Amazon’s private label brands associated the terms, “affordable” (34%), “overall value” (28%), and “range of sizes” (27%) with the retailers private labels. The terms, “fabric choices” (19%), and “stylish” (22%) were least associated with Amazon’s private label brands.

There are those who contend that Amazon’s apparel private labels will eventually grow to have major market shares. Analysts have pointed out that Amazon’s private labels have already become the third largest brand in the U.S. of both batteries and baby wipes. Unfortunately, such a comparison is flawed, as batteries and baby wipes are undifferentiated products that consumers purchase primarily based on price

Only time will tell to what degree Amazon’s private labels will contribute, in the long term to Amazon’s growing dominance of the apparel market but at least for now, this publications believes that their contribution is minimal.



## Walmart's E-commerce Investments Begins To Pay Dividends

Could it be a coincidence that almost two months to the day that Walmart reported that its Q3 2016 online sales increased almost 20.6% that it announced it was closing, during 2017, 154 stores in the U.S. and 60 in Brazil?

At least this publication doesn't think it was a coincidence, in fact it was an affirmation of Walmart's decision to channel the majority of its future investments into its e-commerce business.

The reasoning behind the company's decision was obvious. First, the company's U.S. total sales increased by 2.5% during the quarter, while its U.S. comp store sales increased 1.2%. Since Walmart began separately reporting its e-commerce sales, those sales have grown by a minimum of five times greater than Walmart's comp store sales. The second reason was the almost immediate benefits of the company's purchase of Jet.com in September 2016. Walmart's e-commerce rate of growth during Q3 2016 was twice as great as a year earlier. The company indicated that e-commerce sales added 0.5% to U.S. same stores sales growth.

Walmart's CEO, Doug McMillon indicated that Walmart.com was "gaining traction" as a marketplace as a result of adding 8 million SKU's during Q3 2016. The company also added more online grocery pick up locations, and at the end of Q3 2016 expanded its grocery pick up service to more than 100 U.S. markets. The company is planning on bringing online ordering of groceries and curbside pickup service to nearly a quarter of its stores by the end of 2017.

Walmart has indicated it is targeting a 20-30% compound annual growth rate in its e-commerce business over the coming three years. As e-commerce revenue accounts for only 3% of the retailers current sales, its growth objective, assuming the company keeps investing in its e-commerce operation, would seem to be attainable.

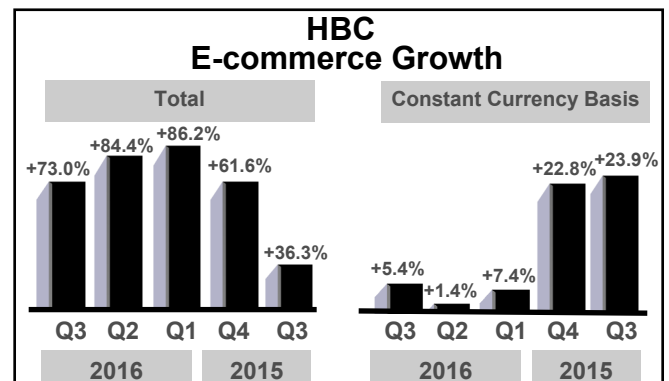


Source: Walmart

## HBC's E-commerce Performance Stands Out

HBC's performance during its third quarter of 2016 was a disappointment, as the retail conglomerate's comp store sales decreased 4.0%.

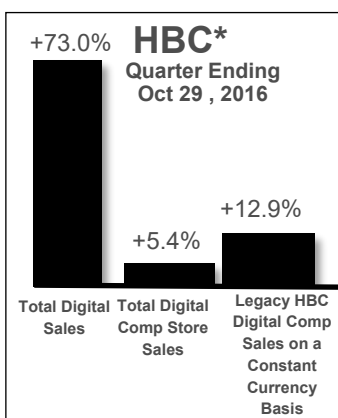
All four of HBC's business segments reported decreases in their comp sales, ranging from 2.2% to 8.4%. The only bright spot for the corporation was its e-commerce business, which increased 73%, and on a constant dollar basis was up 5.4%. E-commerce sales through the first nine months of 2016 were up 81.8%, undoubtedly a portion of the company's e-commerce sales growth was due to acquisitions, but not all of it as Legacy HBC e-commerce sales were up 12.9%.



It is clear from two of HBC's recent investments that the corporation feels that e-commerce will be the primary engine for its growth. One of those investments occurred in January of 2016 when HBC purchased pure play e-commerce retailer Gilt Groupe for US\$250 million (which seems to be currently struggling).

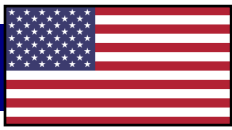
Its second investment involved spending more than US\$69 million in upgrades to its Toronto distribution centre. The upgrades built around the Perfect Pick system, were designed to speed up delivery of e-commerce orders. The company revealed that orders that used to take 2 1/2 hours to locate and ship, will now be shipped within 15 minutes. The company indicated it planned to employ similar technology in its Vancouver distribution centre.

It has been noted that there are a number of dimensions to a successful e-commerce strategy. One involves offering the customer an omni-channel option. A second is speed of delivery. HBC has made great strides in implementing its omni-channel strategy and now has made a serious commitment to serving its customers faster. Both initiatives should serve HBC well in the long-term.



\* Entire Corporation

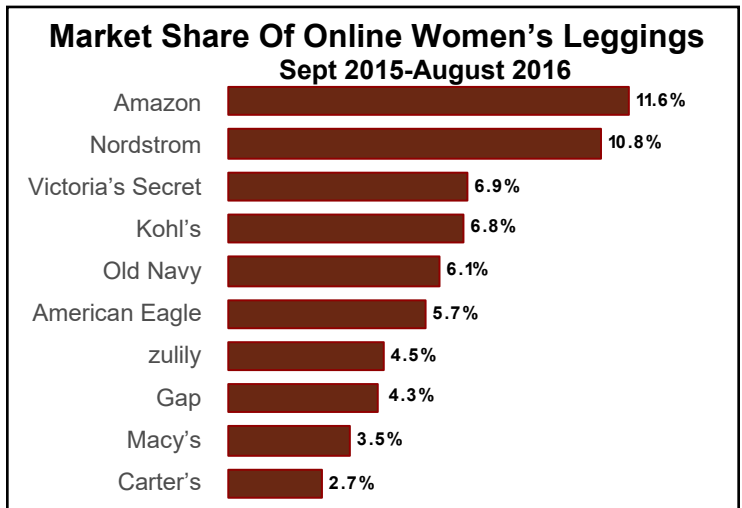
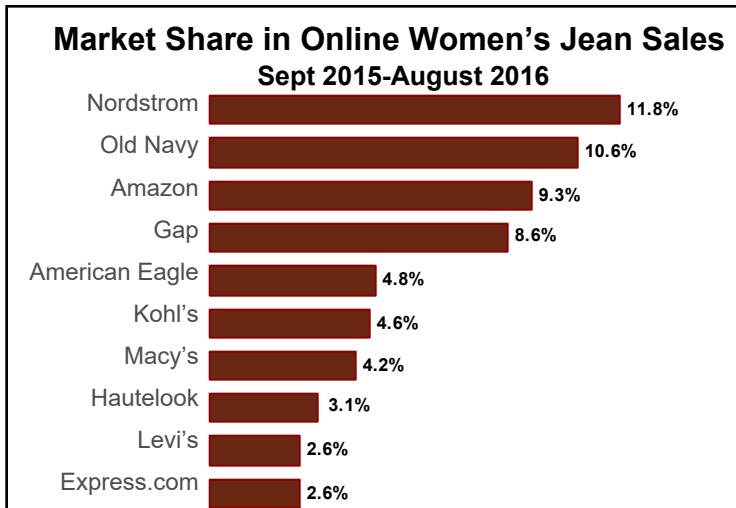




## Three Retailers Dominate U.S. Online Women’s Pant Sales

Nordstrom, Amazon and Old Navy’s dominance of at least two U.S. women’s apparel categories was confirmed by purchase data published at the outset of the fourth quarter of 2016.

Market share information for women’s jeans and leggings published by Slice Intelligence detailed that Nordstrom, Old Navy and Amazon had the three largest shares of online women’s jean sales. Collectively the three retailers controlled 31.7% of the products sales. Amazon and Nordstrom were the two largest online retailers of women’s online legging sales, while Old Navy was the fifth largest retailer. Together the three retailers accounted for 28.5% of online leggings sales. While Amazon and Nordstrom’s strength in both categories was certainly not a surprise, what was a surprise was that Old Navy’s share was almost twice that of Macy’s for both products.



Source: Slice Intelligence

*continued from page 1*

## Amazon Juggernaut Continues To Roll

From a pure revenue perspective, the Amazon juggernaut continued to roll in the United States throughout the third quarter, and by all reports gained momentum through the 2016 Holiday season. During the company’s third quarter it reported an overall revenue increase of 29%, while its Nafta sales of apparel, electronics, and other merchandise (not including its Cloud service) increased by 25.8%. During the five day period, Thanksgiving through Cyber Monday, visits to Amazon’s website increased 20.4%. For the same period, visits to Walmart.com increased by 7.3%, while visits to Old Navy (-17.0%), the Gap (-3.7%), and Gilt Group (-30.5%) sites all decreased. Research from HITWISE indicated that Amazon alone accounted for 33.8% of all visits to retail websites during November/December 2016, and Slice Intelligence reported that Amazon accounted for 38% of all U.S. online sales during the 2016 Holiday season.

While Amazon’s overall online performance was unmatched in the second half of 2016, its performance as an apparel retailer was even better. Part of its apparel growth was due to its Prime Membership program, while the other part was due to the almost 90% increase during 2016 in the number of clothing/accessory items offered on its site. Even though final figures for 2016 will not be available for sometime, a portend of Amazon’s performance can be seen by looking back at the first quarter of 2016 when Amazon’s apparel sales, according to Morgan Stanley, increased by US\$1.1 billion, while collectively the apparel sales of Nordstrom, Macy’s, Kohls, JC Penney and Dillards declined by US\$225 million.

In retrospect, the fourth quarter of 2016 undoubtedly will not be remembered fondly by U.S apparel retailers for two reasons:

- It was the quarter during which Amazon became, almost certainly the country’s largest apparel retailer
- Amazon’s sales growth during the quarter had a profound effect on the Holiday sales for a majority of U.S. retailers. Amazon’s effect was most evidenced by some major retailers announcing that in 2017 they would be accelerating their store closing schedule and laying off employees.

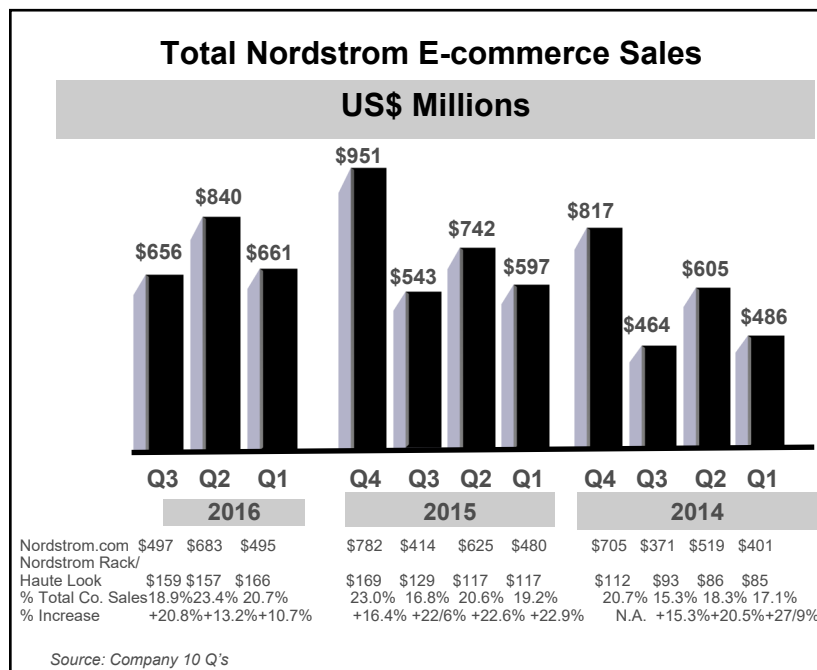


## Nordstrom: E-commerce Saves Its 2016 Third Quarter

While many U.S. “upmarket” retailers struggled during Q3 2016, Nordstrom, at first glance did not seem to be one of them, as its total sales increased 7.2%, while its comp store sales increased 2.4%.

However digging deeper into Nordstrom’s sales figures reveals the degree to which the company has become dependent on e-commerce for its growth. During the quarter, Nordstrom’s e-commerce sales increased to 20.8% of Nordstrom’s total corporate sales.

During the quarter, the comp store sales for Nordstrom’s full-line stores decreased by 4.5%, while its e-commerce sales increased 20.1%. Comp sales for Nordstrom Rack increased 0.9%, while sales for Nordstromrack.com/HauteLook increased 23.2%.



## Amazon Launches A New Men’s Shirt Apparel P.L. Brand

Amazon, which launched seven new private label apparel/footwear brands in February 2016, launched an additional men’s apparel private label brand during December 2016.

What makes the shirt brand called, Buttoned Down, unique is that it will be only available to Amazon Prime customers. The brand has a starting price point of US\$39.99 and is made of non-iron 100% Supima cotton. The shirt is offered in 72 sizes/colors/fits. Over time Amazon plans to expand the brand to include sport shirts, sweaters and dress slacks. Pacific Crest Securities, in a research note, stated “the launch shows that Amazon is interested in using private label to fill in areas of apparel that lack strong national wholesale focused brands.” If true, it means no one should hold their breath waiting for Amazon to launch a private label line of men’s underwear.

## QVC Group: Zulily Outperforms QVC

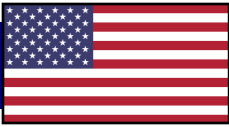
Revenue for QVC, a division Liberty Interactive Group, decreased 3% in the third quarter of 2016.

During the quarter, the division’s e-commerce revenue increased 2% and accounted for 45% of the company’s revenue. Mobile orders were 59% of e-commerce orders, compared to 53% a year earlier. In the U.S. QVC’s e-commerce revenue increased 1% and accounted for 51% of U.S. revenue. QVC’s international e-commerce revenue increased 8% and accounted for 32% of QVC/s international sales.

Zulily, also a division of the QVC Group, reported a 14% its increase in its quarterly revenue. Mobile orders accounted for 66% of total orders placed, compared to 58% in the prior year’s period

QVC	
Quarter Ending October 31, 2016	
Total Revenue.....	-3%
E-commerce Revenue....	+2%
E-commerce % of Revenue.....	45%
Mobile Orders % of E-commerce .....	59%

Zulily	
Quarter Ending October 31, 2016	
Total Revenue.....	+14.0%
E-commerce Revenue....	+18.9%
E-commerce % of Revenue.....	66%
Mobile % of E-commerce .....	66%



## Under Armour: E-commerce Sites Now Available In 30 Countries

Undoubtedly not many U.S. apparel suppliers/retailers operate 30 separate global e-commerce sites, 162 U.S. retail stores, and 63 international stores...if there is one, it is Under Armour.

For its third quarter 2016, Under Armour reported that its total sales increased 22%, while its e-commerce/own retail store revenue (i.e. direct to consumer sales) increased 29% to US\$408 million. The direct sales of Under Armour accounted for 27.7% of its sales during the quarter.

During the third quarter of 2016, the company added four new e-commerce platforms including Mexico, Australia, New Zealand and Chile, and continued to invest in its mobil capabilities.

### Under Armour Direct to Consumer Sales\* US\$ Millions

	2015	2016		
	Annual	Q1	Q2	Q3
Total Sales	N.A.	\$266	\$321	\$408
% Increase	30%	33%	27.9%	29%
% of Company Sales	N.A.	25.3%	32.0%	27.7%
Global E-commerce Sites	25	26	26	30

\* Includes 162 Company Owned Stores

## Carter's U.S. E-commerce Growth Increases Again During Q3 2016

Carter's Inc.'s e-commerce sales growth in the U.S. during its third quarter of 2016 (October 1, 2016) easily outpaced sales in both its Carter's and Oshkosh divisions.

During the third quarter, sales in only Carter's retail outlets increased by 6.7%, while its e-commerce sales increased 25.2%. Total sales in Oshkosh's retail stores increased by 8.9%, while its e-commerce sales were up by 34.8%. During Q3 2016, Carter's e-commerce sales in both of its formats collectively increased by a total of U.S. \$21 million.

### Carter's U.S. E-Commerce Sales

	2016		
	2015 Annual	Q3	Q1-Q3
Carters Retail	+18.9%	+25.2%	+19.7%
OshKosh Retail	+24.0%	+34.8%	+24.9%
Total Dollar Increase (Millions)	N.A.	\$21.0	\$42.3

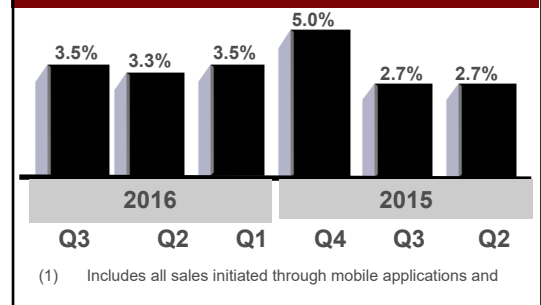
Source: Carter's IOQ 2016

## Target's E-commerce's Sales Up, But Importance Flattens Out Through Q3 2016

Despite all the attention and monies being spent on developing its e-commerce business, it is safe to say that Target's management has been less than totally satisfied with the progress it has made this year to date.

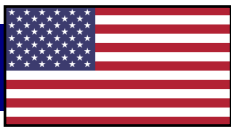
Although e-commerce accounted for 3.5% of Target's total sales during Q3 2016 (vs. 2.7% a year earlier), its share of Target's total sales through the first nine months of 2016 remained consistent. In all fairness, it needs to be noted that Target's e-commerce sales did increase by 26% in the third quarter of 2016 (which its CEO noted is twice the rate that e-commerce is growing in the United States). Last week the company reported its online sales increased 30% during the last two months of 2016.

### Target Corp. E-commerce Share of Sales



Source: Target's 10 Q

Target indicated that its e-commerce growth: "was fastest in its Signature brand categories, and was particularly strong in kids, driven by the retailer's back-to-school offering, and launch of its Cat & Jack brand." Overall the company's CEO indicated that apparel and home were Target's fastest growing e-commerce categories. Target revealed it shipped directly from 990 stores during Q4 2016 versus 460 a year earlier.



## U.S. Junior Apparel Retailers Get A Lifeline During Q3 2016 From Their E-commerce Sales

The four U.S. junior apparel retailers that detailed their e-commerce sales for the third quarter of 2016 all reported troubling decreases in both their total and comp store sales. However, three of the retailers: Abercrombie, Express and Guess America reported increases in their e-commerce sales ranging from 1.7% to 15%. The fourth junior apparel retailer, The Buckle reported an 8.5% decrease in its e-commerce sales, however that was certainly better than the 14.6% decrease in the retailer's total sales.

U.S. Junior Apparel Retailers Q3 2016			
RETAILER	Total Sales	Comp Store Sales	E-Commerce Sales
Abercrombie & Fitch	-6.0%	-6.0%	+2.4%
The Buckle Inc.	-14.6%	-15.3%	-8.5%
Express Inc.	-7.0%	-8.0%	+15.0%
Guess America's Retail	-5.0%	-4.9%	+1.7%

	Express, Inc.					
	2016			2015		
	Q3	Q2	Q1	Q4	Q3	Q2
E-commerce sales (millions)	\$96.3	\$70.1	\$70.0	\$156.3	\$83.8	\$75.0
E-commerce growth	+15.0%	-7.0%	-1.0%	+8.0%	+6.0%	+21.0%
E-commerce % of total sales	19.0%	13.9%	15.3%	20.4%	15.3%	14.0%
Total Sales Growth	-7.0%	-5.7%	0%	+5.4%	+9.8%	+11.2%

	The Buckle, Inc					
	2016			2015		
	Q3	Q2	Q1	Q4	Q3	Q2
E-commerce Growth	-8.5%	+1.4%	-2.8%	+7.1%	+13.6%	+17.4%
E-Commerce Sales (\$M)	\$23.7	\$20.4	\$23.5	\$35.3	\$25.9	\$20.1
E-commerce % of Total Sales	10.3%	9.6%	9.7%	10.6%	9.2%	8.5%
Total Company's Sales	-14.6%	-10.1%	-10.2%	-6.1%	-4.1%	+0.1%

	Guess America's Retail*					
	2016			2015		
	Q3	Q2	Q1	Q4	Q3	Q2
Total E-commerce sales (M)	\$20.4	\$19.1	\$20.2	\$32.9	\$20.1	\$18.2
% Change	+1.7%	+4.7%	+11.0%	+9.1%	+18.3	+20.1%
Total Divisions sales change	-4.7%	-2.5%	-4.7%	-2.6%	-6.8%	-4.7%

\*E-commerce sales assumed to be for U.S. and Canada

	Abercrombie & Fitch					
	2016			2015		
	Q3	Q2	Q1	Q4	Q3	Q2
E-commerce % of Sales	23%	23%	24%	28%	21%	21%
E-commerce Sales	\$189	\$180	\$164	\$312	\$185	\$171

Est. E-commerce Sales

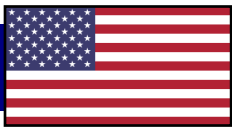
## The Stock Market Mirrors U.S. Retailer's Historic Performance

Apparel Retailers Market Value (US\$ Billions)			
Retailer	2006 <sup>(1)</sup>	2016 <sup>(1)</sup>	% Change
Amazon	\$17.5	\$355.9	+1,934%
Walmart	\$214.0	\$212.4	-1%
Target	\$51.3	\$40.6	-21%
Macys	\$24.2	\$11.0	-55%
Kohls	\$24.2	\$8.8	-64%
Nordstrom	\$12.4	\$8.3	-33%
JC Penney	\$18.1	\$2.6	-86%
Sears	\$27.8	\$1.1	-96%

There are a number of ways to evaluate the changes that have taken place in U.S. retailing over the past ten years. One of the more objective ways is to ascertain the change in a retailer's stock market value. In 2006, Walmart's market value was almost ten times as great as that of Amazon. At the end of 2016, Amazon's market value was 66% greater than Walmart's. Over the ten year period (2006-2016) Amazon's market value increased by 1,934%, while Walmart's was basically unchanged. On the other hand, the market value of six other major U.S. retailers decreased by as little as 21% for Target, to as much as 96% for who else, but Sears.

<sup>(1)</sup>December 31  
Source: Google Finance





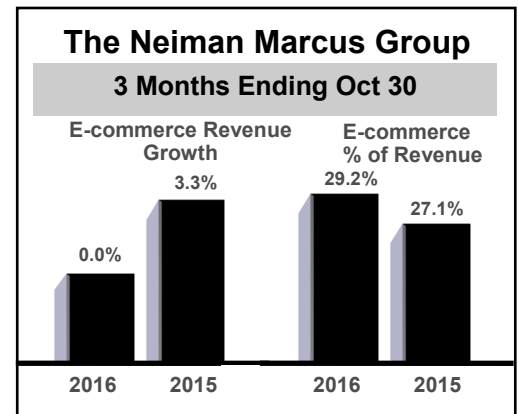
## Neiman Marcus: E-commerce Accounts For Almost 30% Of Sales during Q3 2016

Neiman Marcus was obviously not immune from last fall's slowdown in U.S. retail sales.

During the retailer's first fiscal quarter ending October 29, 2016 its total sales decreased by 7%, while during the same quarter its comparable store sales decreased by 8%. The retailer's online sales were unchanged from a year ago, and accounted for 29.2% of its sales versus 27.1% a year earlier.

The company attributed the lack of growth in its e-commerce sales to problems related to the implementation of NMG One, its new cross-channel merchandising and distribution system. The problems, according to Neiman Marcus, "resulted in US\$30-35 million of unrealized income."

Neiman Marcus is the second largest U.S. online retailer of luxury apparel.



## Ralph Lauren Corp.: Moving In Reverse

Ralph Lauren Corp's second quarter 2016 results (ending October 1, 2016) reflected the poor performance of many of its U.S. wholesale customers, including Macys.

For the quarter, the apparel supplier's total revenue decreased 7.6% due to a 12% decrease in its North American revenue which offset a 2% increase in its international revenue. Wholesale revenue decreased by 10%, while retail revenue decreased 5%. Comparable store sales in its own outlets decreased by 8%, while e-commerce revenue decreased by 6%.

	Q2 2016	Q1-Q2 2016
E-commerce Comp Store Sales	-6%	-6%
Stores Comp Store Sales	-8%	-8%

## HSN and Lands End Report Disappointing Results For Q3 2016

HSN, excluding its Cornerstone division, reported a 3.5% decrease in its net sales during the three month period ending September 30, 2016. The company's e-commerce sales increased by 6.7% and accounted for 44.8% of its sales. Sales gains in apparel/accessories and wellness were offset by decreases in other product categories. The company's average price point decreased 5% as a result of an increase in clearance activities. The average return rate was 16.5%, unchanged from a year earlier.

Net Sales	-3.5%
Average Price	\$55.64
Return Rate	16.5%
E-commerce % of Sales	44.8%

Net Sales	-7.0%
E-commerce Sales	-5.5%
Retail Sales	-15.6%
Comp Store Sales	-14.3%
E-commerce % of Sales	87.4%

Lands End reported a 7.0% decrease in its net revenue for its third quarter ending October 28, 2016. The company's e-commerce sales decreased 5.5% and accounted for 87.4% of its sales. Lands End's total retail sales decreased 15.6% as a result of 14.3% decrease in its comp store sales and operating fewer Lands End shops in Sears.

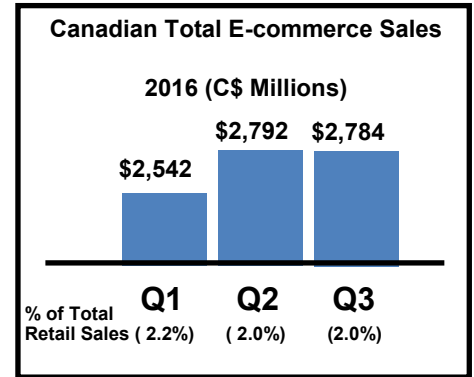


## At Last! – STATISTICS CANADA Starts Providing E-commerce Stats

Without any fanfare, in late November 2016 Statistics Canada for the first time, began publishing statistics on Canada’s total retail e-commerce sales, as part of its monthly Retail Trade release (CANISM 080-0033).

In the third quarter of 2016, Canadian e-commerce sales totalled C\$2.8 billion or 2.0% of total Canadian retail sales. By way of comparison, U.S. e-commerce sales for the same quarter totalled U\$101.3 billion, or 8.4% of total retail sales. The growth of Canadian e-commerce sales continued during the first two months of Q4 2016 as during October 2016, Canadian e-commerce sales increased by 4.8% and accounted for 2.3% of all retail sales. The following month, thanks to Black Friday and Cyber Monday, e-commerce sales accounted for 3.0% of all November 2016 retail sales.

If nothing else, the initial monthly releases of Canadian e-commerce sales confirmed the obvious; total e-commerce sales in Canada is significantly underdeveloped when compared to the United States.



## Black Friday Continues To Increase For Canadian E-commerce Retailers

While the growth of Cyber Monday for retail sales in both the United States and Canada has been well documented, far less has been known about the effects of Black Friday on Canadian retailer sales.

For the past four years D1G 360 Consulting has partnered with Leger to track Canadian consumers Black Friday shopping/purchasing behavior. Insights from their December 2016 report detailing Canadian Black Friday shopping behavior included:

- The percentage of adults who shopped or browsed for Black Friday sales at stores steadily declined from 73% in 2015 to 48% in 2016. Conversely, the percentage over the same four year period who shopped online from a Canadian website increased from 38% to 56%.
- The percentage of Canadians who shopped online for Black Friday sales from an American website declined from 21% in 2015 to 19% in 2016.
- Black Friday online only shoppers browsed for Black Friday sales promotions at twice the rate that only in-store Black Friday shoppers did.

While the study alluded to the fact that, while overall Black Friday in Canada is slowly declining in importance, browsing and purchasing on the internet continues to increase.

Where Canadian Adults Shopped on Black Friday				
	2013	2014	2015	2016
Total Respondents who bought or browsed Black Friday sales?	273	516	681	739
I shopped (bought or browsed) for Black Friday sales items in Canada at a store	73%	61%	58%	48%
I shopped online for Black Friday sales items from a Canadian website	38%	42%	51%	56%
I shopped online for Black Friday sales items from an American website	13%	14%	21%	19%
I travelled across the border to the U.S. and back the same day	2%	5%	4%	2%
I travelled across the border to the U.S. and stayed overnight	3%	3%	3%	2%

Where Adult Canadians Shopped (buy or browsed) for Black Friday sales promotions this year?					
	Bought & Browsed	Bought	Browsed	Aware but did not participate	Not Aware
Total Respondants	759	468	291	805	14
Online only	46%	39%	56%	0%	0%
In-store only	33%	40%	22%	0%	0%
Both online & In-store	17%	19%	15%	0%	0%

Source: D1G 360/Leger



## Two Canadian Apparel Specialty Chains Continue To Increase Their E-commerce Sales

Two Canadian apparel specialty chains: Reitman's (Canada) Ltd., with 693 stores, and Le Chateau, with 196 stores, continued during Q3 2016 to increase their e-commerce sales at what could only be called a torrid pace.

Reitman's e-commerce sales increased by 40.1% during the quarter. However, it should be noted that for the past four quarters, the rate of growth for the retailer's e-commerce sales has continued to marginally slow.

Le Chateau, on the other hand, registered a 55.1% increase in its Q3 2016 e-commerce sales. The quarterly increase was the retailer's largest increase since it began in Q4 2014 to separately report its e-commerce sales. Le Chateau's decision to go "all in" when it comes to increasing its e-commerce sales should continue to pay significant dividends.

REITMANS (CANADA) AND LE CHATEAU Same Store vs. Online Sales				
	Reitman's (Canada) Ltd		Le Chateau	
	Comp Store	E-Commerce	Comp Store	E-Commerce
Q3 2016	+4.7%	+40.1%	-0.1%	+55.1%
Q2 2016	+4.0%	+45.4%	-0.3%	+43.0%
Q1 2016	+6.3%	+52.5%	-1.9%	+53.9%
Q4 2015	+6.3%	+54.0%	+0.1%	+41.3%
Q3 2015	+4.8%	+72.2%	+2.5%	+34.8%
Q2 2015	-0.6%	+70.1%	-3.9%	+34.5%
Q1 2015	+0.3%	+97.7%	-6.2%	+24.7%
Q4 2014	-0.6%	+54.9%	-11.3%	+4.5%
Q3 2014	-1.5%	+76.4%	-9.7%	0.0%

Source: Company Quarterly Reports

## Carter's Canada's E-commerce Sales Increase During Q3 2016, While Its Store Sales Decrease

CARTER'S CANADA Quarter Ending Oct 1, 2016		
	Q3 2016	Q1-Q3 2016
Total Retail Comp Sales	+1.6%	+7.2%
Retail Comp Store Sales	-0.5%	+5.4%
E-commerce Comp Sales	+37.2%	+37.3%

Carter's, which at the end of the third quarter of 2016, operated a total of 156 Carter's/Osh Kosh stores in Canada reported a 37.2% increase in its Canadian e-commerce sales for the quarter. The growth in the company's e-commerce sales significantly exceeded the 0.5% decrease in the Canadian retailer's comp store sales.

## COMING SOON: 2017 CANADIAN LUXURY APPAREL REPORT



In recognition that there is no definitive information on the Canadian luxury apparel market, Trendex is proud to announce that on February 27, 2017 it will publish the first detailed report on the luxury apparel market in Canada. The report will include information on the size of the market, along with insights as to the retail channels of distribution, individual retailers shares and Luxury Apparel E-commerce sales. Profiles of each of the major luxury Canadian apparel retailer's will be included in the report, along with a forecast of the 2017-2021 Canadian Luxury Apparel market.

The cost of the Canadian Luxury Apparel report (which can be distributed to all interested parties within a company purchasing the report) is US\$425.00 if ordered prior to February 20, 2017 and US\$495.00 after that day. Additionally, separate more detailed modules, such as for luxury menswear, will be available for an extra charge.

Interested parties can order the report on Trendex's website. Companies ordering the Canadian Luxury Apparel Report will also immediately be sent a complimentary copy of Trendex's 136 page 2016 Canadian Apparel Yearbook.

### Order Information:

<http://www.trendexna.com/canadian-luxury-apparel-report>



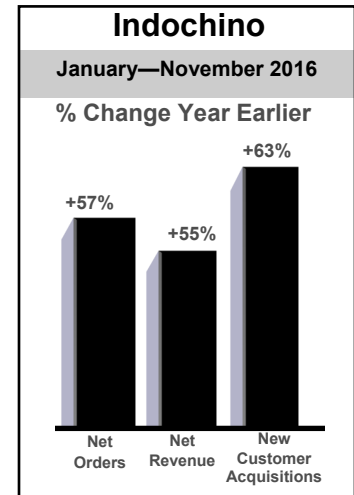
### Indochino: Spectacular Growth In 2016

Indochino, which claims to be the world’s largest made-to-measure suiting company, provided some very impressvie insights into its business during the first eleven months of 2016. During the period, the Vancouver based retailer reported that its:

- Orders increased by a total of 57%
- New customer acquisition increased 63%
- Net revenue (which it did not specity) increased 55%
- Organic internet searches for Indochino increased 76% due to “increasing brand awareness”

The company, which currently operates 5 retail outlets in Canada and the same number in the United States, indicated at the outset of December 2016 that it plans to expand its presence in both countries during 2017.

With all due respect to Aritzia, its sales growth “ain’t nothing”, when compared to that of Indochino. One can therefore logically assume that a public offering for Indochino will occur sometimes during the next couple of years.



Source: Company Press Release

### Little Consistency In The Men’s Jean Brands On Amazon’s Nafta Sites

The question has been raised: “How similar are the list of brands carried by Amazon’s three Nafta websites?” To answer that question, Trendex analyzed, at the end of November 2016, the men’s jeans brands carried on Amazon’s sites in the U.S., Canada and Mexico.

What we found was the following:

- All three sites carry, for all practical purposes, the same number of brands
- The U.S. site carries significantly more styles (4,412) than carried by the Canadian (2,476) and Mexican (408) sites.
- Although there are a number of brands carried by all three sites, including Levi, Lee and Joe’s Jeans, almost 75% of the brands carried by the sites are different. For example, the Canadian site lists True Religion and Mavi, neither of which are listed by the other two sites.
- Perhaps what is so surprising, at least in terms of the Canadian site, is that no well known Canadian private label jean brands are listed.

The next issue of this publication will examine similar information for two other apparel products.

Amazon Men’s Jeans Brands			
November 2016			
	U.S.	Canada	Mexico
Brands Carried	50	51	49
Styles	4,412	2,476	408

Amazon Canadian Jeans Brand Overlap		
November 2016		
	U.S.	Mexico
Total Brands Carried	50	49
Overlap with Canada	17	11

Source: Trendex

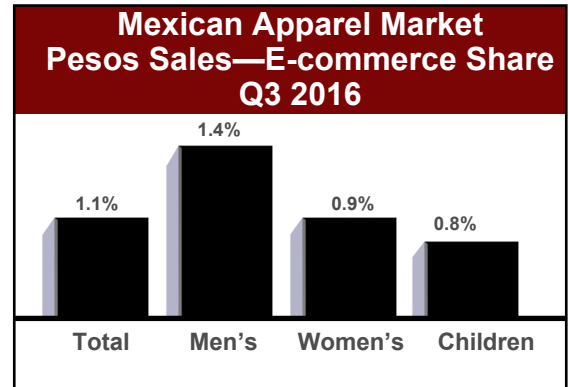


## Apparel E-commerce In Mexico Fails To Capture Share In Q3 2016

It would be logical to assume, given the underdevelopment of apparel e-commerce in Mexico, that going forward e-commerce’s share of Mexican retail apparel sales would continually increase.

However, that did not occur during the third quarter of 2016 when e-commerce’s share of Mexican apparel sales slipped to 1.1% from 1.3% during Q2 2016. Even more surprising was that a year earlier e-commerce share’s of Mexican apparel sales according to Trendex’s quarterly Mexican Apparel Monitor was 1.7%.

During Q3 2016 department stores share of Mexican apparel e-commerce sales increased to 41.1% from 32.7% the previous quarter. Department store’s share gain was primarily due to Liverpool, whose share increased to 18.0% up from 6.1% during Q2 2016, and Sears whose share also significantly increased to 17.1% from 4.4%. Apparel specialty stores, the second largest channel of distribution for Mexican apparel e-commerce sales, lost share in spite of Zara’s share increasing from 2.8% during Q2 2016 to 16.3% during Q3 2016.



Source: Trendex Mexican Apparel Monitor

RETAIL CHANNEL	2016			2015		
	Q3	Q2	Q1	Q4	Q3	Q2
Department Stores	41.1%	32.7%	19.2%	23.0%	38.8%	27.5%
Apparel Specialty Stores	39.1%	50.6%	35.6%	43.7%	47.6%	46.2%
Sporting Goods	1.0%	2.7%	6.4%	2.0%	6.1%	3.7%
Catalogs	12.7%	0.9%	2.5%	5.0%	2.2%	5.1%
All Other	6.1%	13.1%	36.3%	26.3%	5.3%	17.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Trendex Mexican Apparel Monitor

## Walmex Makes A Serious Investment In E-commerce

Walmart, Mexico’s largest retailer who added 63 stores in 2016, announced at the end of 2016 that it was investing US\$1.3 billion over the next three years in an attempt to double its sales by 2025.

The investment will be concentrated in three areas: improving logistic capabilities, new distribution centers, and upgrading its current stores. One of the specific objectives of Walmex’s three year investment plan is to significantly increase its e-commerce sales, which increased 20% in its third quarter of 2016. Walmex currently operates grocery sites for three of its banners, and is experimenting with “click-and-collect” in its Superama and Walmart Supercenter formats. Mobil apps are also in the development stage for its Superama and Sam’s Club formats.

No official word on Walmex’s apparel e-commerce efforts, however its suppliers report that Walmart’s e-commerce apparel sales are not surprisingly almost non-existent.

Retailer’s	2016			2015		
	Q3	Q2	Q1	Q4	Q3	Q2
Liverpool	18.0%	6.1%	4.4%	3.5%	17.0%	10.1%
Fabricas	0.5%	0.2%	0.5%	5.1%	4.5%	3.0%
El Palacio de Hierro	1.1%	3.1%	0.6%	1.8%	1.1%	1.2%
Sears	17.1%	4.4%	5.4%	8.8%	6.3%	2.4%
Coppel	4.4%	9.3%	4.8%	0.7%	6.4%	7.0%
Zara	16.3%	2.8%	1.0%	5.0%	5.1%	8.8%
Bershka	1.1%	3.6%	1.9%	2.8%	2.8%	3.7%
Marti	1.2%	1.7%	1.4%	2.0%	2.1%	0.9%
Pull & Bear	0.1%	0.2%	2.0%	1.9%	2.1%	0.1%
Privialia	0.5%	5.0%	N.A.	N.A.	N.A.	N.A.

Source: Trendex Mexican Apparel Monitor





## MercadoLibre Mexico: A Small Division Of An Important Latin American Retailer

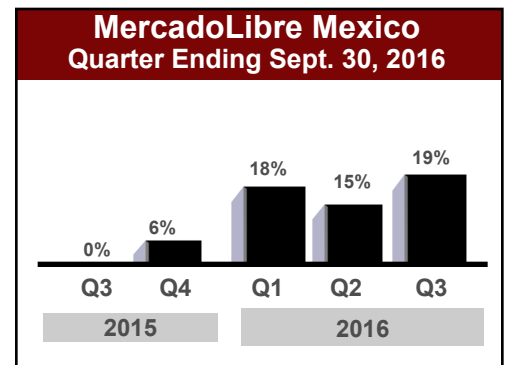
**MercadoLibre, Inc., a Buenos Aires based company founded in 1999, is Latin America’s leading e-commerce retailer.**

It operates in 16 countries. Its total revenue in 2015 was US\$652 million. The company’s sales in Mexico during 2015, totalled US\$40.3 million or 6.2% of its parent company’s total sales. During 2015, MercadoLibre’s total sales in Mexico increased 7.1% in U.S. dollar terms, and 27.9% in terms of pesos.

MercadoLibre’s business in Mexico is segmented into two different revenue streams: Marketplace and non-marketplace. Revenue from its marketplace operation is derived from both the commissions the company receives from items sold (e.g. apparel) on its site, and upfront fees that MercadoLibre charges for better product placement on its site. Revenue from its non-marketplace operations is derived from financing/off payment fees, and sales, along with real estate listing upfront fees.

The company, whose Mexico’s sales increased 19% to US\$11.8 million during the third quarter of 2016 is not a major player in the Mexican apparel e-commerce market, but certainly is currently among one of the top fifteen apparel e-commerce retailers in Mexico.

<b>MercadoLibre Mexico (US\$ millions)</b>			
	2015	2014	2013
Marketplace	\$23.6	\$25.5	\$24.2
Non-Marketplace	\$16.8	\$12.1	\$8.6
<b>TOTAL</b>	<b>\$40.3</b>	<b>\$37.7</b>	<b>\$32.8</b>
% of Parent Company's Sales	6.2%	6.8%	6.9%



Source: Company Reports

## Liverpool’s Performance Again Outstrips Its Competitors During Q3 2016

**The Mexican retail conglomerate Liverpool continued during the third quarter of 2016 to register a significant increase in its e-commerce sales.**

During Q3 2016 ANTAD reported that Mexican department store’s comp sales increased by 7.6%. Liverpool who operated 82 Liverpool and 32 Fabricas de Francia stores during the quarter reported an almost identical (+7.7%) increase in its comp store sales. However, the retailer reported an 85.6% increase in its e-commerce sales. The increase was consistent with the 110.0% and 75.0% increases in the retailers e-commerce sales during the preceding two quarters.

It is anticipated that Liverpool's purchase of Walmart's Suburbia chain will be approved by the Mexican government in the first half of the year. Currently, Suburbia, Mexico’s largest apparel retailer does not have a transactional website.

No Mexican apparel retailer has made the investment in developing its e-commerce business more than Liverpool. The company’s commitment is reinforced by its free shipping policy throughout the entire country. It’s no wonder that Liverpool is the country’s largest apparel e-commerce retailer.



Source: Company Reports

## IT SHOULD BE NOTED:

---



### United States:

**Gildan Activewear**, in its Q3 2016 earnings call indicated that its e-commerce sales were up over 50% year-to-date, and should end up accounting for 5% of its retail sales for the year.

**TJX Corp** revealed in an analyst conference call last year that it views e-commerce primarily as a way to drive traffic into its stores. Even though the retailer launched e-commerce in 2013, online sales currently account for only 1% of its sales.

**VF Corp**—E-commerce sales in the America's division of both Vans and Timberland increased during Q3 2016 by 15% and 30% respectively.

**Walmart** purchased Jet.com in September 2016 for almost US\$3 billion in an attempt to jump start its e-commerce business. Building on that acquisition in December 2016, Jet.com purchased pure-play footwear e-commerce retailer ShoeBuy for US\$70 million. ShoeBuy competes directly with Zappos and will maintain its own site along with selling on Jets marketplace. Walmart has now purchased two pure play e-commerce retailers in just the last 4 months of 2016. Given its deep pockets, it would be almost a certainty to assume that Walmart will acquire additional e-commerce retailers in 2017.

**Kohls** noted that 5-6% of online orders during Q3 2016 were picked up in its stores. 28% of the customers who picked up their orders in a Kohl's store bought another product while in the store.



### Canada:

**H&M Canada** launched its e-commerce site on October 27, 2016. The retailer currently operates 79 stores and is Canada's seventh largest apparel retailer. New H&M app subscribers receive a 25% off one item of their choice and free shipping.

**Aritzia** introduced shipping to international markets during October 2016.