

KANTAR

How anti-obesity medications are impacting apparel retailing

Merchandising and marketing considerations and strategies

Kate McGee

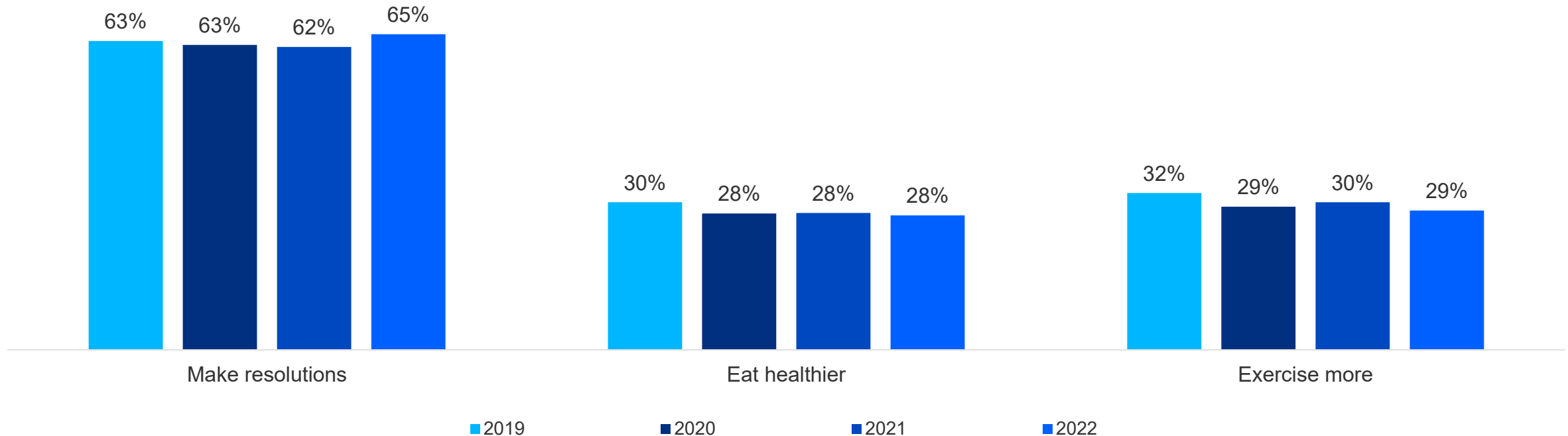
Partner, Syndicated Retail Platforms

November 2023



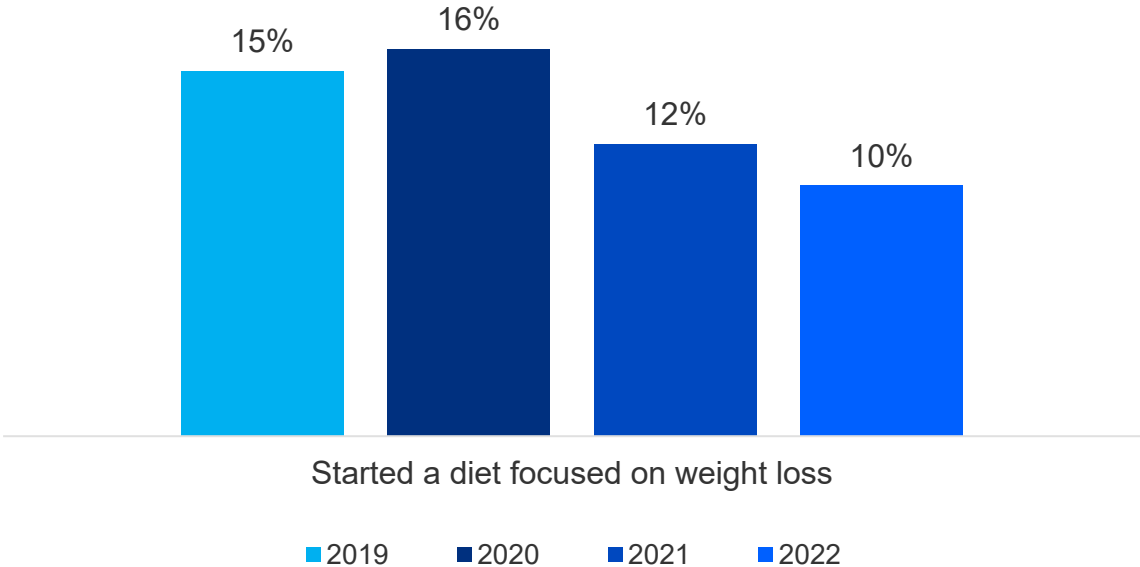
Despite widespread pandemic weight gain and increases in making resolutions, we are seeing shoppers deprioritize physical health and wellness ...

Types of New Year's Resolutions (among all shoppers)



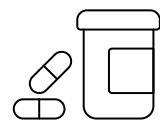
... and a dramatic drop in those claiming to diet for weight-loss purposes

Types of Life Changes in January and Rest of Year (among all shoppers)





At the same time, prescription weight-loss/ anti-obesity medication (AOMs) use has become prolific



9 million

AOMs were prescribed in Q4 2022

+300%

from early 2020




Analysts expect the AOM market to reach

\$100 billion

by 2030, an increase from today of

~16X



We know AOMs are already impacting [spending on consumables](#), but what about nonconsumables?

AOMs stand to greatly impact apparel retailing, so we'll dig into how and where.

Agenda

1 Merchandising considerations

2 Marketing considerations

3 Strategies to win

4 Implications

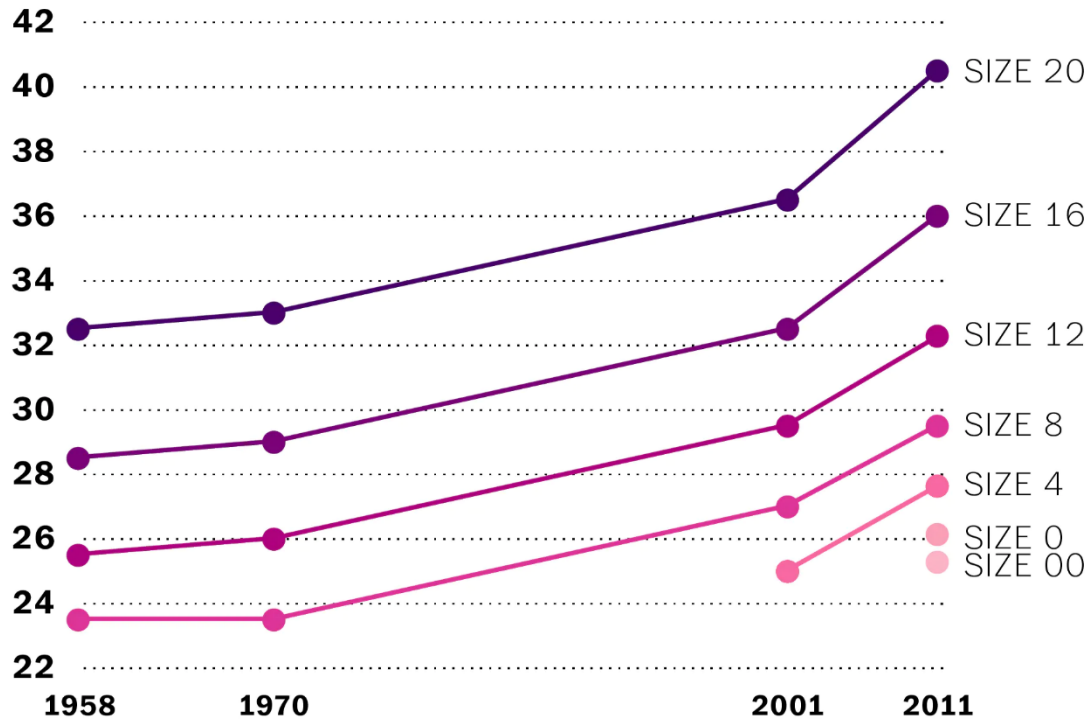


1 Merchandising considerations



'Vanity sizing' has become increasingly popular with apparel merchants over time

Standard Measurements in Women's Apparel in US
(waist, in inches)



- Apparel has expanded into **sizes smaller than 0**.
- A **size 8 today** is roughly the equivalent of a **size 16 in 1958**.
- A similar trend in the UK caused its chief medical examiner to claim that vanity sizing is contributing to the **“normalization of obesity.”**

Buying decisions — often made six to nine months before product hits the market — are informed by sizing ...

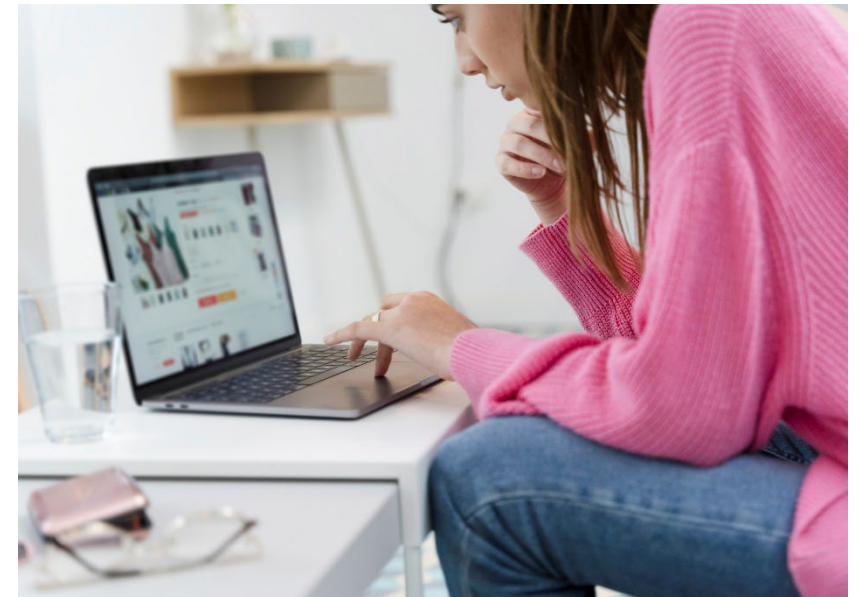
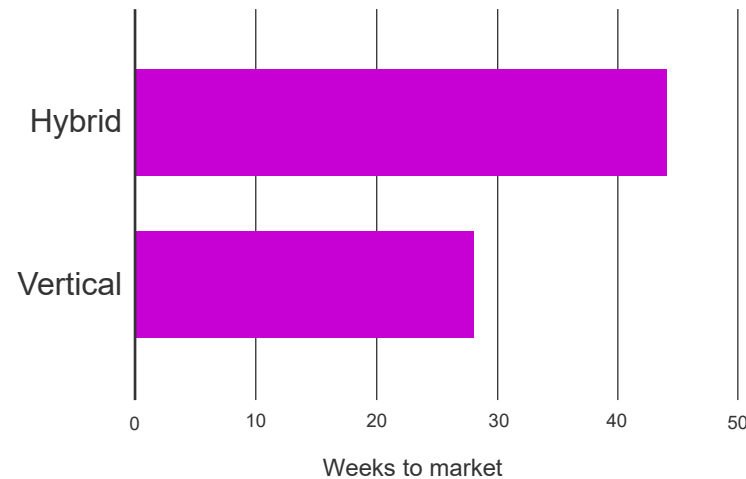
Sizing sell-through data is a key merchandising input

Historical sizing sales inform:

- Buying decisions
- Allocation to retail stores
- Inventory management

Speed to market is a competitive advantage in times of sell-through disruption

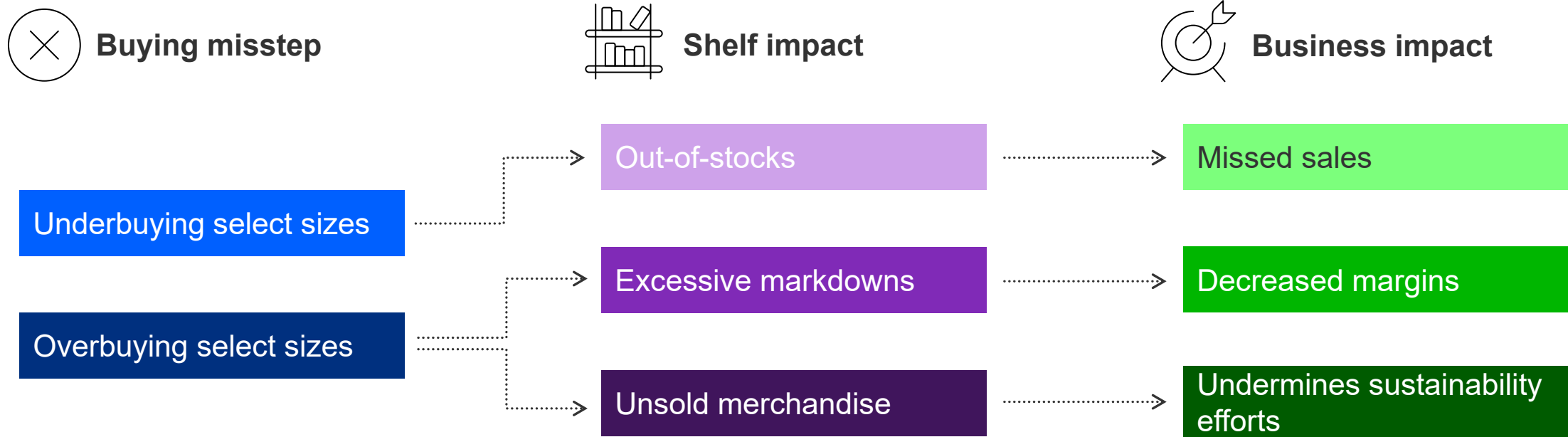
Lead Times for Apparel Sellers
(weeks to market)



Consumers losing weight become shoppers buying smaller sizes: Future sizing curves may not look similar to historical ones.

... but buying missteps dramatically impact brands' and retailers' financial results

Impact on apparel is greater than it is for other categories because SKU sizing is personalized to shoppers' body size



Estimated impact to a \$1billion business is \$20million in sales and \$20million in margin.

Case study:

OLD NAVY

Progressive sizing strategy backfires

The pivot in sizing strategy seemed sound.

In 2022, Old Navy doubled-down on body equality:

- It invested in a wider range of apparel sizes from 0 to 28 and XS to 4X, with equal prices across all sizes.
- It remerchandised the store layout, including putting all sizes of a style together, rather than having separate plus-size and petite departments.
- Mannequins and in-store imagery showcased bodies across a wide range of sizes.

Data informed decisions, including:

- Syndicated market research that indicated the weight of the average American woman had increased almost 5% since 2020
- Qual and quant research: interviews and scanned bodies to create digital avatars and fit blocks.

The result wasn't ideal.

- Same-store sales dropped.
 - New sizes didn't bring in enough new shoppers.
 - Expanded sizes took up too much real estate and lagged in sell-through.
- Gap's overall results suffered.
- Old Navy CEO Nancy Green resigned.



Apparel players must prepare for AOMs to disrupt apparel sizing

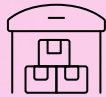
Brands will have to lean into predictive merchandise buying.



Leverage AI size-match optimization.



Intentionally plan for a more dramatic size curve.



Consider supply chain adjustments to shorten lead times.



2 Marketing considerations



'Body positivity' has been a key initiative across many sectors, including apparel

Expanded sizing is reflected in marketing strategies

Dove: The original body-positivity brand



Direct-to-consumer brands



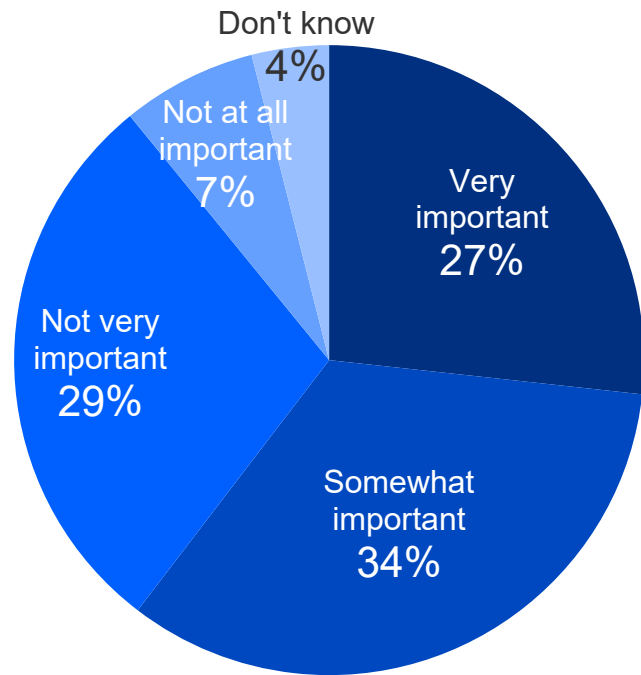
Mainstream brands



Note: "Body positivity" was added to the Oxford English Dictionary in March 2021.

However, the Gen Z demographic has mixed feelings about the importance of body positivity

Importance of Promoting Positive Body Image Diversity
(when buying a branded product, among U.S. Gen Z respondents)



And now body-positive brands are competing for eyeballs with AOM manufacturers



AOM manufacturers spent

\$500 million

on advertising in the first seven months of 2023

+20%

versus a year ago



The majority of this spend was on digital advertising platforms.

Note: Spend includes national TV broadcasts, print publications, newspapers and websites, and social media platforms.

Suggested Posts

ro.co Sponsored

A weekly shot to lose weight

Learn More

171 likes

ro.co Lose 15% of your body weight with one weekly shot and our diet and exercise strategies (average weight loss after 1 year). Prescription GLP-1 medications work by helping you feel fuller faster and

#1 PRESCRIBED FDA-APPROVED WEIGHT LOSS

ONCE-WEEKLY Wegovy

• Wegovy* was studied (vs placebo) over 68 weeks in 1,961 people
• All people were instructed to reduce calories and increase physical activity

ADULTS WITH TYPE 2 DIABETES

Say Hello to once-weekly, FDA-approved Mounjaro

LOOK INSIDE FOR:

- How to Start Mounjaro
- How to Use the Pen
- How to Save

mounjaro.com

Indication and Limitations of Use

Mounjaro is a prescription medicine for adults with type 2 diabetes used along with diet and exercise to improve blood sugar (glucose). It is not known if Mounjaro can be used in people who have had pancreatitis. Mounjaro is not for use in people with type 1 diabetes. It is not known if Mounjaro is safe and effective for use in children under 18 years of age.

Please see Select Important Safety Information throughout the brochure and the Purpose and Safety Summary including Warnings about possible thyroid tumors, including thyroid cancer, on pages 14-15. Please see Instructions for Use included with the pen.



ro


A weekly shot to lose weight


with coaching, care, and healthy lifestyle changes to make it last.

ro.co/shot

Apparel brands and retailers will have to thread the needle to capture both body-positive and AOM shoppers

Going forward, brands will need to apply a surgical approach to appeal to body-positive and weight-loss drug audiences.

 Reflect body positivity — on both the large and small sides of spectrum — in marketing imagery.

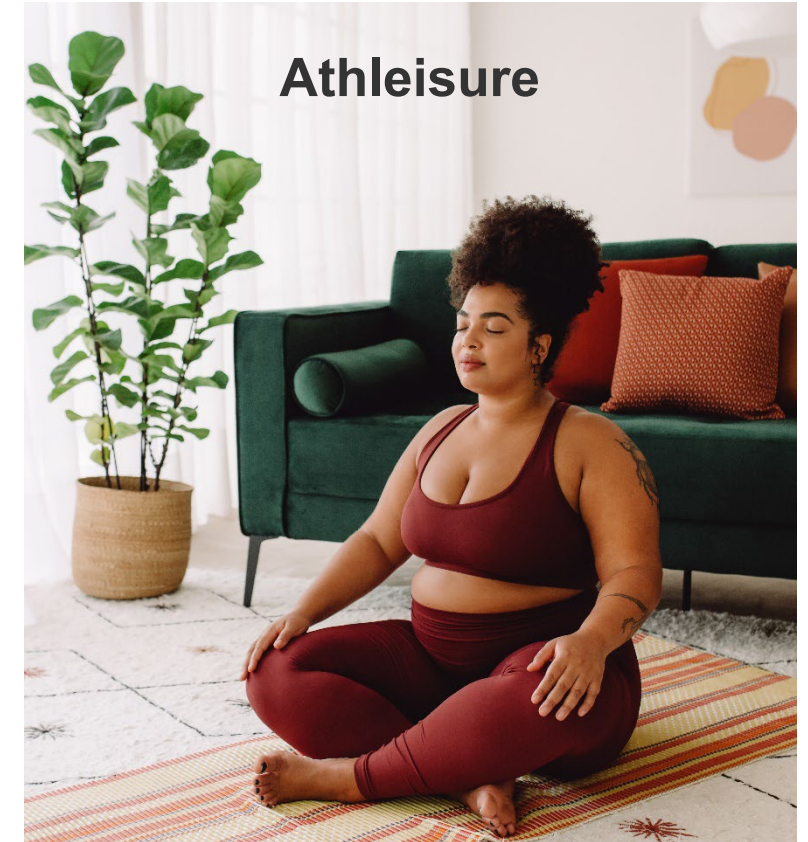
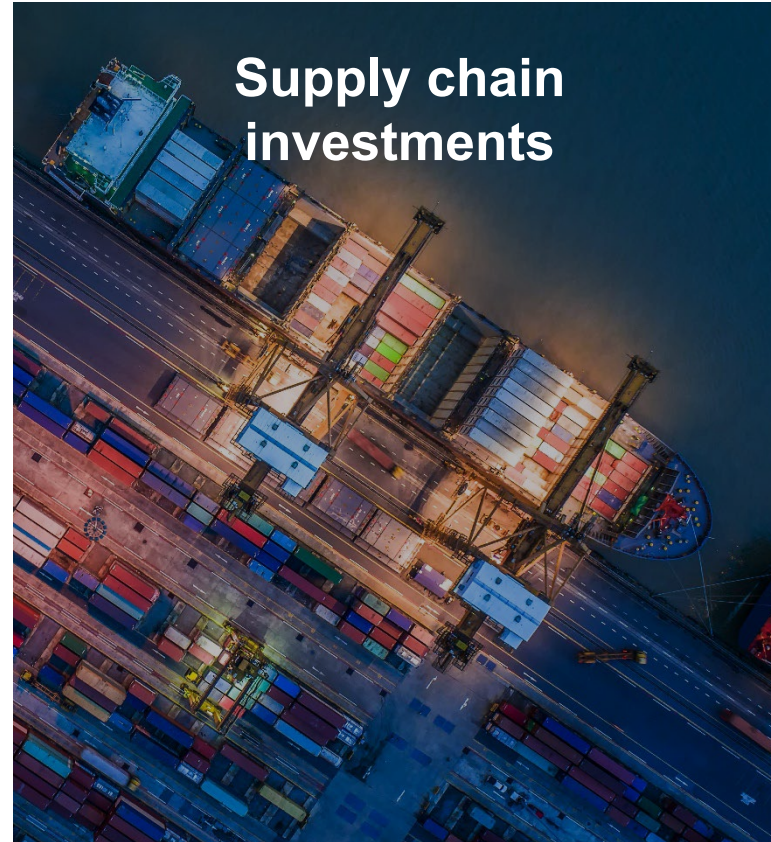
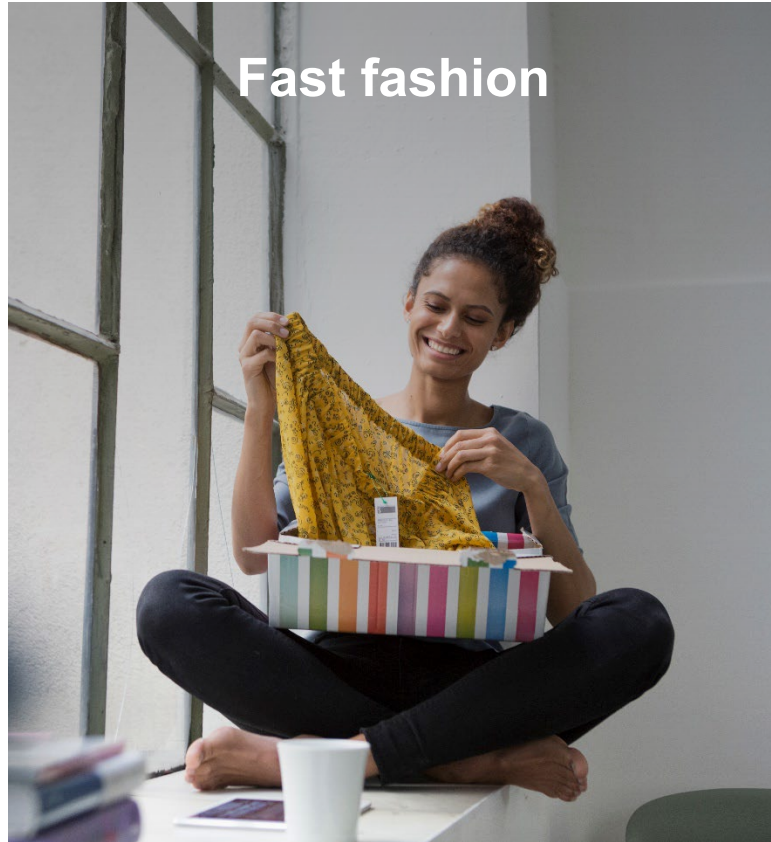
 Invest in researching the shifting attitudes of Gen Z shoppers about these divergent trends to capture their critical share of wallet.



3 Strategies to win

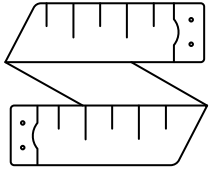


We see three apparel retail strategies positioned to win from the weight-loss drug boom

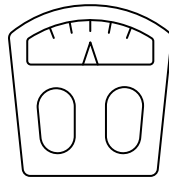


Fast-fashion players can lean into nimble supply chain

Anticipated wardrobe upgrades will benefit those who follow trends and can move quickly on size curve shifts



In general, shoppers refresh their wardrobes with every two size changes.



Women are more likely to refresh their wardrobes than men after losing weight.



The apparel industry is expected to gain \$50 billion in incremental spend as a result of weight-loss drugs.

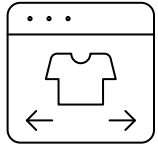
Winners

H&M

PRIMARK®

INDITEX

Investment in supply chain digitalization, AI, and near-shoring will drive wins for apparel retailers facing shifting shopper preferences from AOMs



Two-thirds of chief purchasing officers in the apparel sector anticipate that digitalization will be the most critical capability to drive growth.



Moving production facilities closer to home markets dramatically tightens lead times and enables apparel players to react more quickly.

Winners

SHEIN

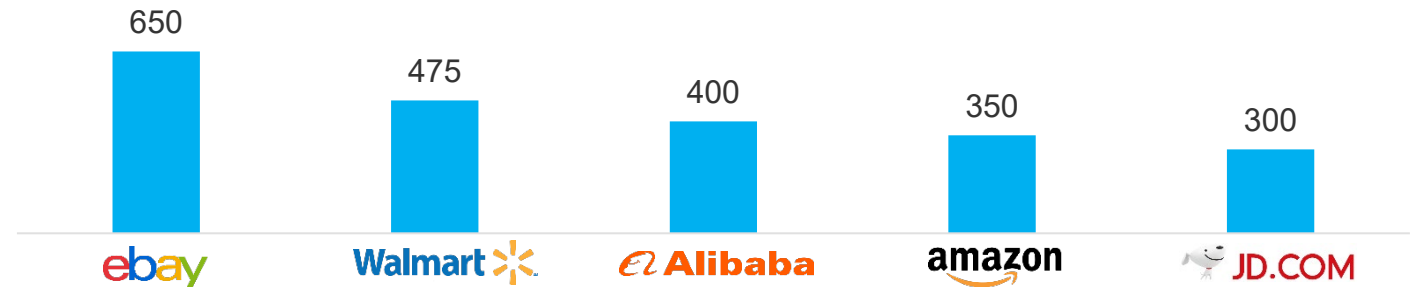


zalando

MARKS & SPENCER

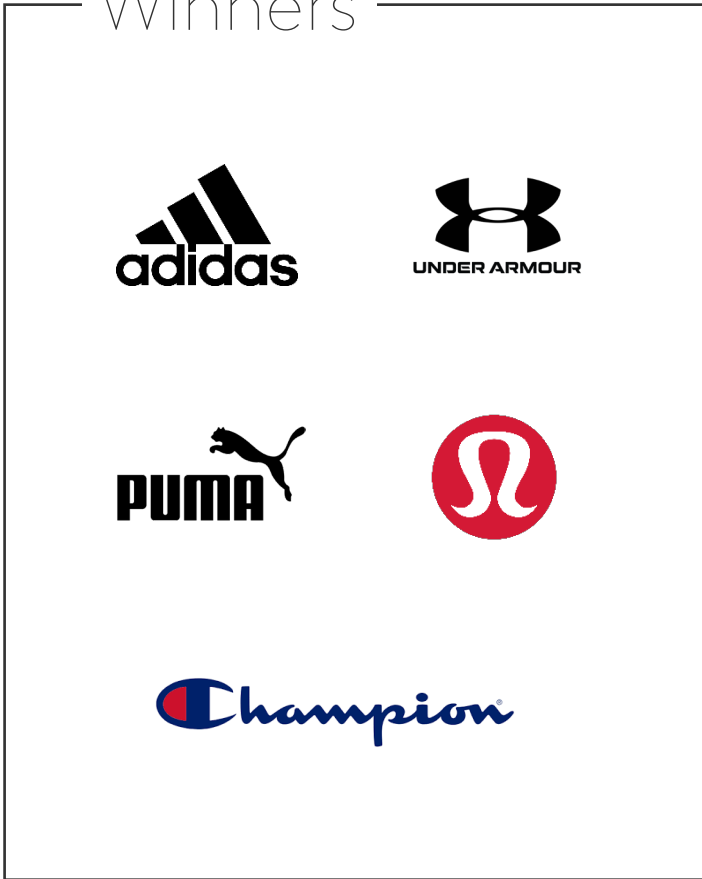
K E R I N G

Top Assignees of AI-Related Patents in Retail (approximate number of publications, 2016-Q2 2023)

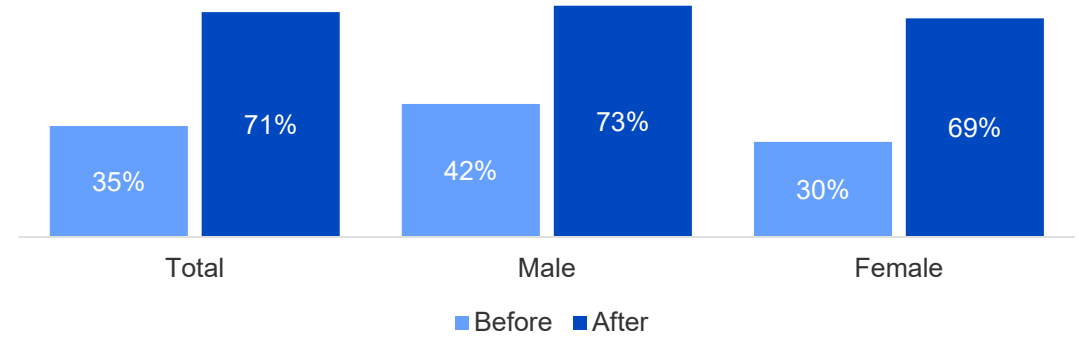


As AOM users double exercise, they increase their athleisure apparel purchases

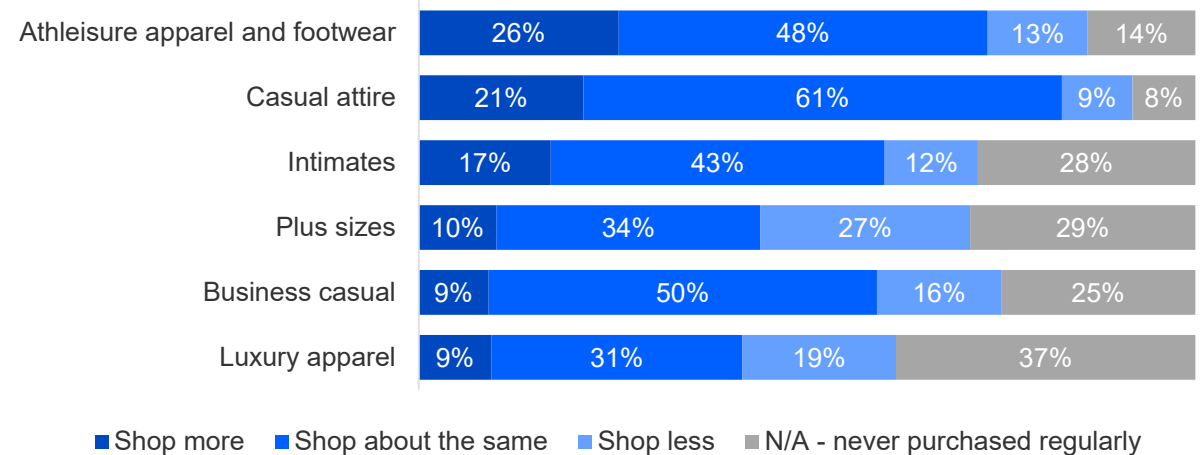
Winners



Weekly Exercise Before/After Starting AOM
(total shoppers)



Change in Apparel Category Purchasing Since Starting AOM
(total shoppers)



4 Implications



What does the growth of AOMs mean for apparel players?

Product

Evolving shopper lifestyle choices mean a shift in product sell-throughs by sizes and category.

Supply chain

Nimbleness and reacting quickly will be more important as apparel players respond to evolving shopper needs.

Branding

Threading the needle with marketing and merchandising that appeal to a wide range of shopper body types will continue to be critical.

Though always an art and science for apparel players, **predictive and nimble design, planning, and buying** will be critical to winning share of wallet in a post-AOM world.



Kate McGee

kate.mcgee@kantar.com

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