The Economic Impact of Consumer Purchases in Fast Fashion Stores[1]

Ľubica Knošková[2] – Petra Garasová[3]

Abstract

In recent years fast fashion has become a new trend. Fast fashion has changed the way how consumers are dressed and think about fashion. Clothes became cheaper, and shopping became a form of entertainment. The aim of the paper is to identify the economic impact of consumer purchases in fast fashion stores. Authors discuss fast fashion situation using results of own consumer survey, case studies, research studies and secondary data applying analysis, Abstraction, synthesis, deduction, comparison, description, and specification. Authors conclude that consumers' purchases have a big impact on economics, because how we found out, fast fashion has a growing trend both in stores and in ecommerce. Form our survey it is evident that majority of consumers cannot link the high perceived quality of the clothing during shopping in fast fashion stores with achieved low level of durability during wearing. Increasing customer consumption can have a positive effect on economics, but also a negative impact on environment.

Key words

fast fashion, consumer behaviour, economic impact

Introduction

Fast fashion can be defined as cheap fashionable clothes, made on the basis of design taken over from fashion designers or celebrities, and sold in the shops for mass consumers (Rauturier, 2018). Fast fashion garments have changed the way consumers are dressed. They have even changed the way consumers think about clothes and what they do with it. They buy a lot more clothes than ever before, and although consumers' wardrobes are cluttered with clothes that have been worn just few times, they are still considering buying new clothes, and they are then making purchases (Cobbing & Vicaire, 2016).

Clothes shopping used to be an occasional event – something that happened a few times a year when the seasons changed, or we outgrew what we had. But about 20

---

[2] doc. Ing. Ľubica Knošková, PhD., University of Economics in Bratislava, Faculty of Commerce, Department of Commodity Science and Product Quality, Dolnozemská cesta 1, Bratislava, Slovakia, E-mail: lubica.knoskova@euba.sk

[3] Ing. Petra Garasová, University of Economics in Bratislava, Faculty of Commerce, Department of Commodity Science and Product Quality, Dolnozemská cesta 1, Bratislava, Slovakia, E-mail: petra.garasova@euba.sk

years ago situation changed. Clothes became cheaper, and shopping became a form of entertainment. Despite the amount of clothing consumers buy, they do not even have the chance to use it. The clothing that they buy comes out of fashion in few weeks.

Fast fashion rapidly expands to all places in the world hoping to quickly reach the top numbers of customers, purchases, or revenues. Retailers thus use all the means available to get closer to the customers and meet their requirements with fast changing offer.

Businesses have had to change their business models and adapt to the emerging trend. Compared to the prestigious fashion brands that have just few fashion collections in the course of the year, fast fashion businesses offer their customers a lot more fashion collections during the year at more affordable prices. Consumers can buy more for less, but they keep up with the latest fashion trends.

Fast fashion is a new term that is inspired by the term fast food. Fast fashion can be defined as quick-release products with short renewal cycle and fast delivery (Byun & Sternquist, 2008). Fast fashion garments are designed to swiftly change, not necessarily driven by desire but rather by need (Stottlemire, 2017) caused by short durability. To-katli (2007) and Byun a Sternquist (2008) have defined four fast fashion elements that are (1) fast responses to consumer demand, (2) a short product lifecycle, (3) a fast supply chain, and (4) lower prices.

Fast fashion is also a business strategy that has been adopted as a reaction to the current and emerging fashion trend (Fernie, 2004). Fast fashion brands can meet very diverse consumer preferences in very short time. Consumers can find new products it in the stores every week (Dutta, 2002). Short lifecycle is what distinguishes traditional businesses from fast fashion clothing stores. Fast fashion garments are designed to capture a very short fashion trend and seasonal style. That's why the fast fashion product can be on shelves in stores for only a few months or even weeks (Christopher et al., 2004).

The fast fashion phenomenon has revolutionized the clothing industry in recent decades. Changing consumer attitudes to consuming low-cost apparel and possibility of businesses to purchase textile supplies from cheap overseas industrial markets has led to creation of an impulsive shopping culture where new styles of clothing are available to the consumer every week (Mintel, 2007). This phenomenon is particularly noticeable among young female consumers. They have a low awareness of the impact of their purchases to the clothing industry and in the same time they show the highest level of demand (Morgan & Birtwistle, 2009). Fashion has become a novelty and the commercialization and marketing of fashion leads to excessive consumption and materialism, but caring for our clothes and keeping them is not in fashion anymore (Cobbing & Vicaire, 2016).

Fast fashion firms allow the consumer to get more fashion clothing and product differentiation at lower prices (Linden, 2016). This for consumers means that they can buy designer goods of prestigious brands for much less money. Such relatively lower prices can attract a younger age group of customers who do not hesitate to buy fashionable products that further promote impulsive shopping (Byun & Sternquist, 2008).

1   Methodology

The aim of the paper is to identify the economic impact of consumer purchases in fast fashion stores. The economic impact is identified from the point of view of the global market. We analysed secondary data from annual report of Inditex, Boohoo, H&M, Statista; report from McKinsey&Company: The State of Fashion 2018; report from Greenpeace; statistic data from Ganit Singh: Fast Fashion Has Changed the Industry and the Economy; and statistic data from Orendorff: The State of the Ecommerce Fashion Industry: Statistics, Trends & Strategy. Further we analysed the primary data obtained from our consumer survey about awareness of fast fashion and sustainable fashion and shopping habits using a standardized questionnaire. The questionnaire was sent to the respondents in Slovakia via the Internet, 115 respondents replied. Based on the analyses we synthesized the findings in the area of fast fashion growth trends globally. Several other scientific methods such as Abstraction, deduction, comparison, description, and specification have been used to meet the stated goal. For graphic presentation of the results we used excel tables and charts.

In the survey were a total of 115 respondents (Tab. 1). Of the total number of respondents, 85 (73.9%) were women and 30 (26.1%) were men. The largest number of respondents was in the age group 21 - 30 years, 76 (66.1%) of respondents. Then, age groups 15 - 20 and 31 - 40 which have the same number of respondents,14 (12.2%). In the survey, respondents with a higher education qualification prevailed, namely 55 (47.8%). The most frequent employment of respondents was employee 47 (40.9%) and student 44 (38.3%).

Table 2 Respondents' demographic data

Gender		Age		Educational attainment		Employment	
Woman	85 (73.9 %)	15 – 20	14 (12.2 %)	**Still studying**	35 (30.4 %)	**Student**	44 (38.3 %)
Man	30 (26.1 %)	21 – 30	76 (66.1 %)	**Primary**	2 (1.7 %)	**On maternity or parental leave**	11 (9.6 %)
		31 – 40	14 (12.2 %)	**Secondary**	23 (20 %)	**Employee**	47 (40.9 %)
		41 – 50	9 (7.8 %)	**Academic**	55 (47.8 %)	**Businessman / entrepreneur**	11 (9.6 %)
		51 – 60	2 (1.7 %)			**Retired**	1 (0.9 %)
		61 and more	0			**Unemployed**	1 (0.9 %)
Total respondents		105					

Source: Own processing

2   Results and Discussion

We wanted to find out the consumer awareness of fast fashion in Slovakia and shopping habits to see how much it differs from the other analysed countries. Through the survey we found out that 71 (61.7%) of respondents are aware of the concept of fast fashion, and 44 (38.3%) respondents did not know this concept. Slight majority of respondents 65 (56.5%) knew that fast fashion brands are brands such as Zara, H&M, Forever 21 and others. 50 (43,5 %) of respondents did not know that (Graph 1).

Graph 1 Respondents Awareness of Fast Fashion
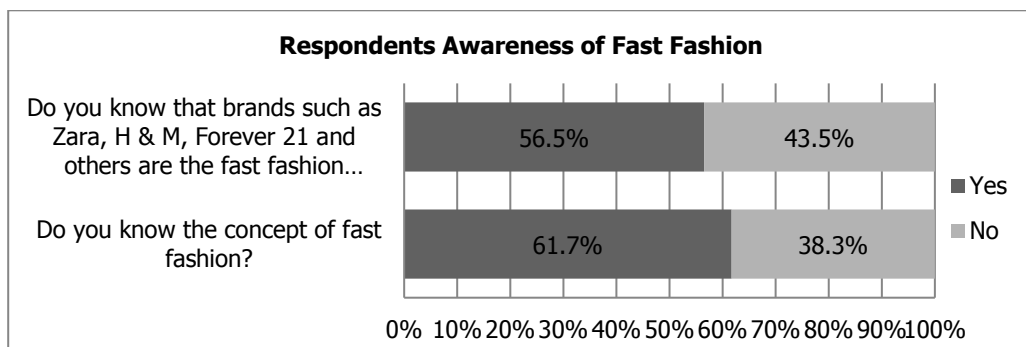
Source: Own research

Majority of respondents 73 (63.5%) shop in fast fashion stores sometimes, 33 (28.7%) respondents shop in fast fashion stores often, and 9 (7.8%) respondents do not make purchases in fast fashion stores at all. Respondents during purchase of clothing take into account following factors: (1) quality, (2) price, (3) material, (4) brand, (5) fashion trend, (6) origin, (7) personal taste, (8) fit, (9) originality, easiness to combine items and the fact that the item is worn by a famous person (own research). From the results of our survey it is evident that majority of consumers cannot link the high per-ceived quality of the clothing during shopping with achieved low level of durability during wearing. As the price is second most important criterion, the choice is often made based on perceived quality "on the first sight".

Graph 2 Purchase in Fast Fashion Stores
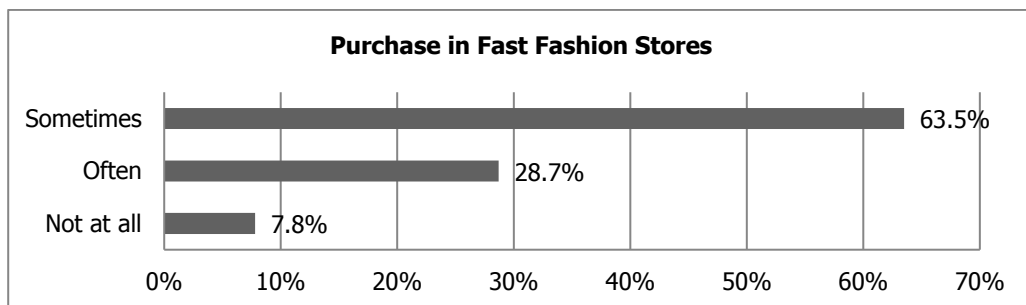
Source: Own research

Further we analyzed the apparel industry from global perspective. The global apparel industry has been growing at a 4.78% yearly rate since 2011 (Graph 3). The industry shows no signs of slowing down. The market is projected to experience 5.91% yearly growth over the next three years, as reported by Ganit Singh (2017).

Graph 3 Apparel Industry Market growth
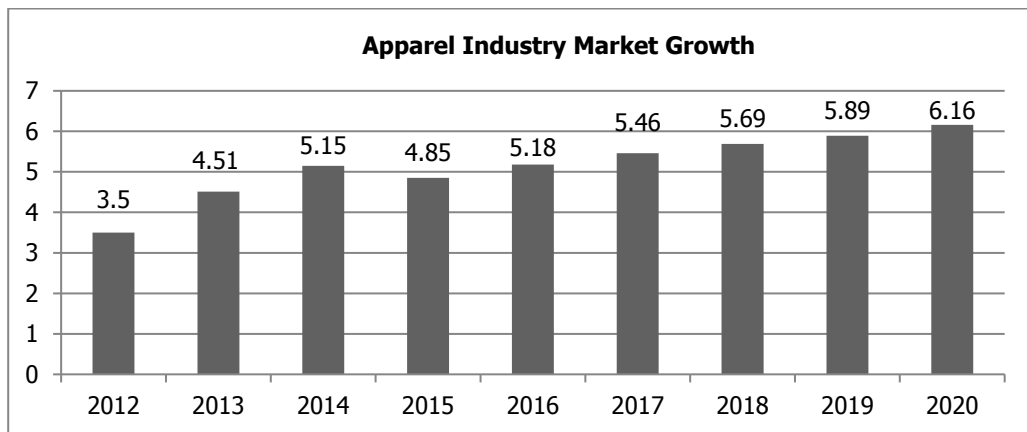
Source: G. Singh, 2017

In 2011, the size of the global apparel industry amounted to 1,051.66 billion USD, and in 2017 the market value was 1.391 billion USD (Graph 4). By 2020, the market size should reach as much as 1,652.73 billion USD, as there is no expected growth slowdown in the industry for the next three years (Singh, 2017). Based on the above data, we can see the willingness of consumers to spend more money a year to buy clothing. It amounts to a whopping 60% increase in the market size since 2011.

Graph 4 Market Size of the Global Apparel Industry
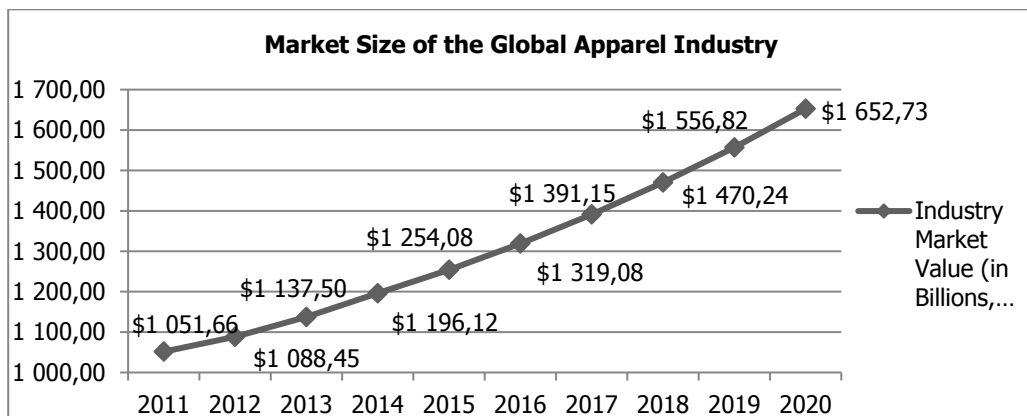
Source: G. Singh, 2017

The biggest increase in sales in the various clothing categories is in sportswear with an average increase in sales of 8% in 2017. This average increase is slowing down in 2018 to 6.5%. The second largest increase is in the sale of handbags and luggage. In 2017, the average sales growth was 4.5%, in 2018 the average sales growth is even higher and reach the level 5%. The average growth in apparel sales was 2.5% in 2017, 3.5% in 2018 (Graph 5).

Graph 5 Average Sales Growth in Various Clothing Categories in percentages
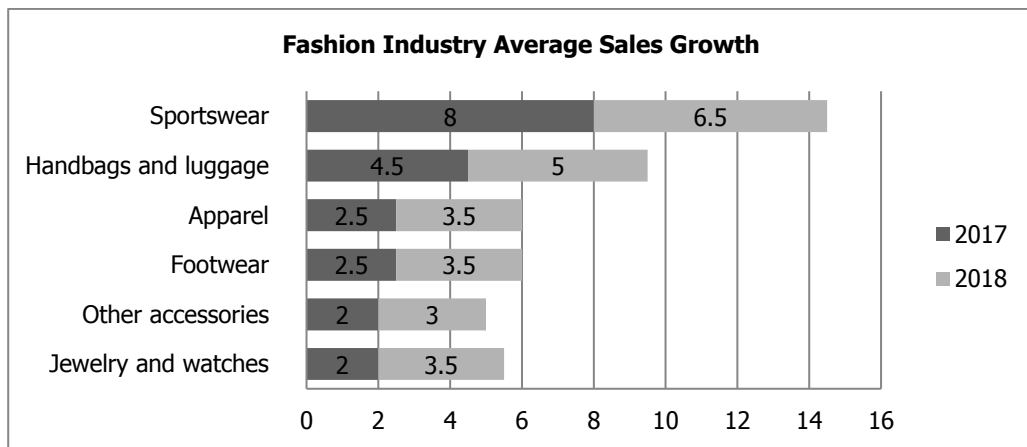
Source: McKinsey&Company, 2017

Most consumers prefer fast fashion in the US, up to 88 %, followed by consumers in Italy (49%), Europe (46%), Mexico (27%), India (25%) and China (21%) (Amin & Jahan Corporation, 2018). The most popular fast fashion selling retailers in the world are: Uniqlo (21%), H&M (18%), Zara (18%), US Gen Shoppers (16%), Millennial (11%) Gen Xers (2%) and Boomers (1%) (Amin & Jahan Corporation, 2018).

**Graph 6** Average Delivery Time for New Collections in Stores
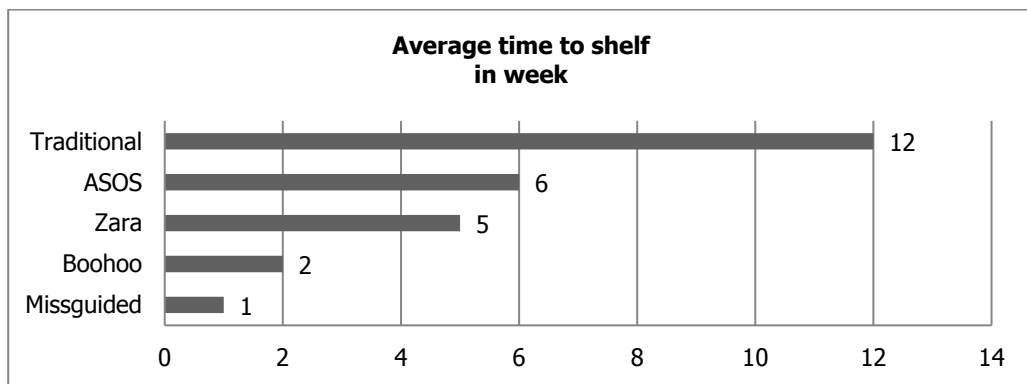
Source: McKinsey&Company, 2017

While traditional brands introduce new collections to stores in every 12 weeks on average, fast fashion brands have been able to accelerate the process from design to shelf. It takes just 6 weeks to the ASOS brand, 5 weeks to Zara, 2 weeks to the Boohoo brand, and only 1 week to Missguided. So we can see that the fast fashion brands introduce new collections in very short time (using 50% to 8,3% time) compared to the traditional designer brands (Graph 6).

2.1 E-commerce in the Apparel Industry

E-commerce penetrates gradually into all industries, the apparel industry is no exception. Similarly to traditional retail stores, e-commerce is developing and growing. In 2018, we expect growth in e-commerce revenue in the apparel industry to 481 billion USD. The income should have an increasing tendency (Orendorff, 2018). In 2022, the revenues should increase to 713 billion USD (Graph 7). We found that average annual growth is likely to be at 10.36%.

Graph 7 E-commerce in the Apparel Industry
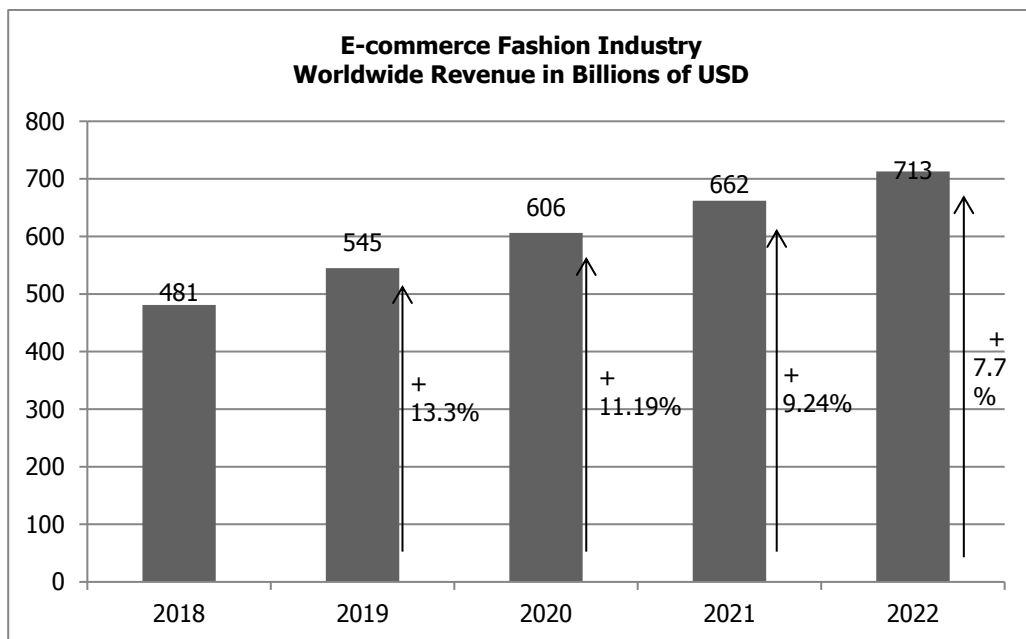
Source: A. Orendorff, 2018

In 2018, average revenues from e-commerce are 270 USD per consumer. In the following years growth is predicted also in this area (Orendorff, 2018). In 2022, revenues per consumer should be at 301 USD, so they will increase by 31 USD over the course of four years (Graph 8). We found that average annual growth from 2018 to 2022 is likely to be at 2.75%.

Graph 8 Average Revenue per User
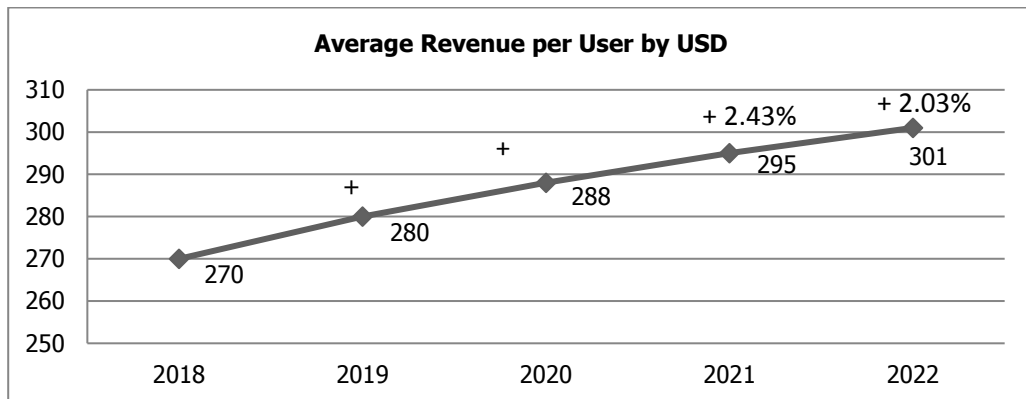
Source: A. Orendorff, 2018

Individual markets in the fashion industry show the different expected growth in e-commerce. The biggest growth will be on the Chinese market, which compared to 2017 when it was 164 billion USD, to 318 billion USD in 2022, so we expect growth of 14.1%.

Nearly the same growth is expected in the US and European markets. The US market from its original 81 billion USD will grow by 8.8% to 123 trillion USD. The European market will reach a growth rate of 8.7%, from 2017 when it grew from 101 billion USD to 154 billion USD (Graph 9). The growth of e-commerce in the fashion industry may be due to the development of online shops that focus on clothing sales. Companies selling clothes in classic stores are also gradually expanding their distribution channel to the Internet. Many companies are expanding the possibilities of delivering their goods from e-commerce to countries where they do not have physical stores.

Graph 9 E-commerce Fashion Industry Growth
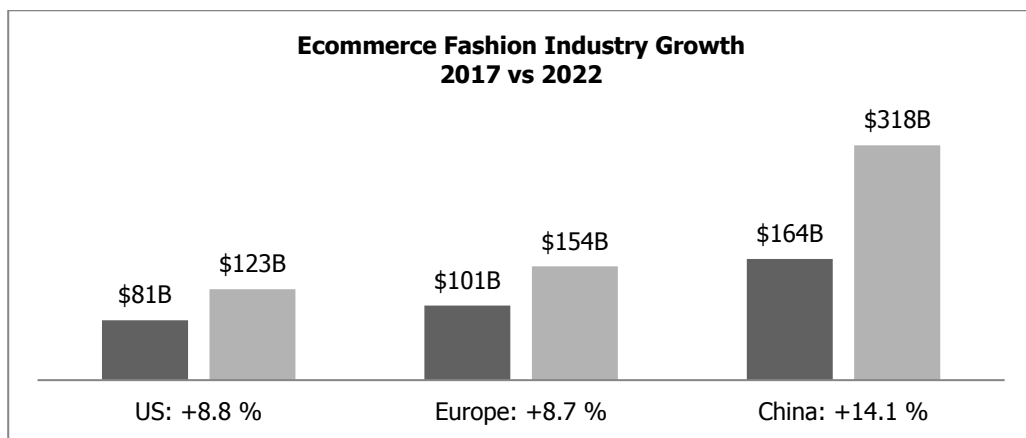
Source: A. Orendorff, 2018

2.2 Sales Trends of Selected Fast Fashion Retailers

Inditex

Inditex is one of the world's largest apparel retailers. The company has been operating since 1963. The company has eight brands: Zara and Zara Home, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Uterqüe (Inditex, 2018). Zara was one of the leading brands in fast fashion, other brands followed later. Inditex has a total of 7,442 stores on 202 markets. The company employs 171,839 employees (Inditex, 2018).

In 2012, Inditex's turnover was 15.946 billion EUR, rising to 16.724 billion EUR in 2013, which represents 4.88% growth. In 2014, the turnover was 18,117 billion EUR, growing up 8.33% compared to the previous year. In 2015, turnover was 20.900 billion EUR, growing up 15.36% compared to 2014. In 2016, turnover grew by 11.54% to 23.311 billion EUR. In 2017 it grew by 8.7% to 25.340 billion EUR. Based on the above data, we can see that the turnover of the company has been increasing since 2012, with growth slowdown in 2016 (Tab. 2).

Table 2 Revenue of Inditex

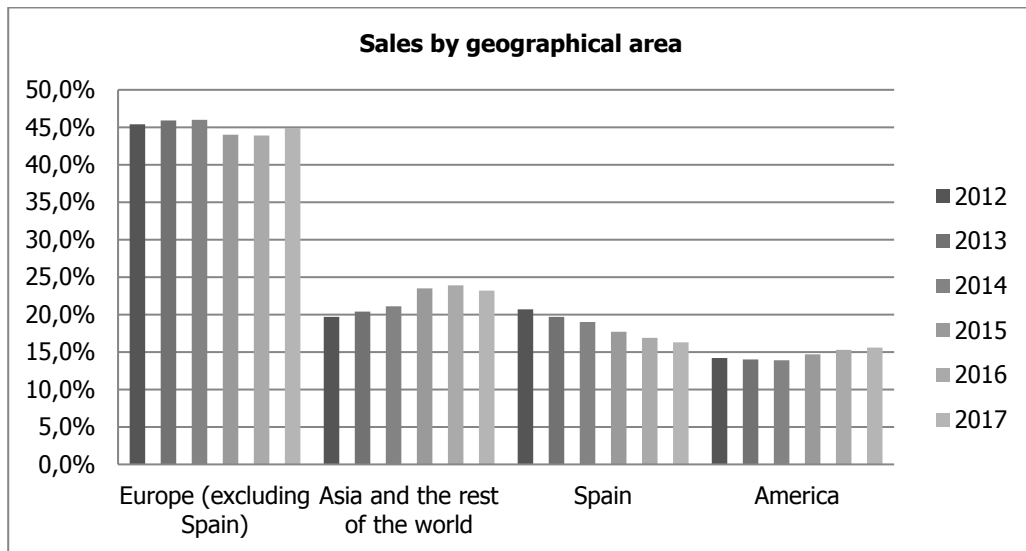| Revenue (in billions EUR)	2012	2013	2014	2015	2016	2017
Sale	15.946	16.724	18.117	20.900	23.311	25.340

Source: Based on Inditex, 2018

Inditex sales in Europe (excluding Spain) has been increasing from 2012 to 2014. Since 2014 Inditex sales experienced a slight decline, but it rose again in 2017, (1% compared to 2016). Asia and the rest of the world had an increasing tendency till 2016. In 2017, there was a slight decrease of 0.7% compared to the previous year. Sales in Spain have experienced decline since 2012 (Tab. 2).

In 2012, Spain represented 20.7% of total sales, in 2017 only 16.3%. Sales in America have been rising since 2012. In 2017, sales in US represented 15.6% of total sales, (Graph 10). Inditex sales growth in individual countries may be due to the development of distribution channels, retail outlets, but especially E-commerce, which is gradually introduced to the markets as Thailand, India, Vietnam, Malaysia, Singapore (Inditex, 2018).

For a better comparison, we also analyzed the average annual growth of the three companies, which have significant position in fast fashion segment, H&M, ASOS and Boohoo. H&M achieved the average annual sales growth 10.61% from 2013 till 2017. ASOS achieved an average annual growth 34.59% from 2012 till 2017. Boohoo has reached the highest average annual growth 62.61% from 2012 till 2017 (Tab. 3).

Graph 10 Inditex Sales by Geographical Area

Source: Based on Inditex, 2018

Table 3 Sales of Selected Fast Fashion Brands

Fast fashion brand	2012	2013	2014	2015	2016	2017	Average annual growth
H&M sales including VAT (in million SEK)	140.948	150.090	176.620	209.921	222.865	231.771	10.61%
ASOS revenue (in million GBP)	552.9	769.4	970.1	1444.9	1923.6	2417.3	34.59%
Boohoo revenue (in million GBP)	29.0	67.3	109.8	139.9	195.4	294.6	62.61%

Source: Own processing: Boohoo, 2017; Boohoo, 2015; H&M, 2018; H&M, 2013; Statista, 2019

Conclusion

The aim of the paper was to identify the economic impact of consumer purchases in fast fashion goods. Based on an analysis of the available data, we have found that apparel industry is on the rise, and growth will continue over the next few years. At the moment, the growth in the global apparel industry is at an average level of 4.78% and we expect growth to 5.91% in the next three years. For e-commerce in the apparel industry, we expect average annual growth of 10.36% by 2022. Average revenue per consumer from e-commerce in the apparel industry is growing at an average annual level of 2.75%. Sales of Inditex fast fashion retailer reach an average annual growth of 9.76%, H&M's sales reach an average annual growth of 10.61%, ASOS sales are growing

at an average of 34.59% per year, and Boohoo sales are at an average annual level of 62.61%. On the basis of the above, we can say that the growth of fast fashion retailers exceeds the expected growth of the apparel industry and thus grows faster than the whole industry which is expected to reach 5.91%.

The average time for introducing new collections for traditional brands is 12 weeks. Fast fashion brands shorten this time from 50% to 8.3% of the time.

The largest segment of fast fashion consumers from global perspective is in the US, where up to 88 % of consumers prefer fast fashion retailers, followed by Italy (49%) and then the rest of the Europe (46%). The most popular fast fashion brand is Uniqlo (21%), followed by H & M (18%) and Zara (18%), and US Gen Shoppers (16%). From our survey we can conclude that the fast fashion consumer segment is rather high in Slovakia comparing to other countries, as 63.5% of respondents sometimes shop in fast fashion stores and just 7.8% never do so.

The largest growth in e-commerce apparel segment is in the Chinese market, with expected 14.1% increase between 2017 and 2022. Almost the same increase is expected on the US and European market, when the US market will grow in 2017 by 8.8% and the European market will grow by 8.7%.

Inditex has recorded sales growth since 2012. In 2017, the revenue was 25.34 billion EUR, compared to the previous year, the revenue was 2.029 billion EUR. Within geographical areas, sales have grown since 2012 on the American market. In 2017 growth was recorded in Europe (excluding Spain).

Excessive consumption leads to consumerism that negatively affects the environment. Major negative impact in this sector is foreseen in production of CO_2 emissions, which will increase by as much as 77%, water consumption will increase by 20%, and land use will grow by 7% from 2015 till 2025 (Remy, 2016).

Very sensitive segment from consumer behaviour perspective, are young women who make the biggest contribution to buying fast fashion clothing. Young women are easily subject to fashion trends, and they are easily influenced by the marketing of fast fashion retailers that targets them. As far as they cannot yet evaluate the impacts of their decisions, they heavily contribute to increasing purchases in this segment. It is evident also from the results of our survey in Slovakia where the respondents rated quality as the first shopping criterion and price as the second. It is clear that majority of consumers cannot link the high perceived quality of the clothing during shopping with achieved low level of durability during wearing. As the price is second most important criterion, the choice is often made based on perceived quality "on the first sight".

For further research it is important to identify the environmental impacts of the fast fashion industry, but also to focus more closely on the economic impact on the Slovak market. It is also necessary to make a detailed survey about consumer purchases in fast fashion stores.

References

Amin & Jahan Corporation. (2018). *Consumer behaviour, fast fashion, and sustainability*. Retrieved 2019, from https://www.textiletoday.com.bd/consumer-behaviour-fast-fashion-sustainability/

Boohoo. (2015). *Annual report and accounts for the year ended 28 february 2015.* Retrieved 2019, from http://www.boohooplc.com/~/media/Files/B/Boohoo/reports-and-presentations/annual-report-and-accounts-for-the-year-ended-28-february-2015.pdf?pdfdata=1

Boohoo. (2017). *Annual report and accounts 2017.* Retrieved 2019, from http://www.boohooplc.com/~/media/Files/B/Boohoo/reports-and-presentations/boohoo-ara-2017.pdf?pdfdata=1

Byun, S. E. & Sternquist, B. (2008). The antecedents of in-store hoarding: measurement and application in the fast fashion retail environment. *The International Review of Retail, Distribution and Consumer Research*, *18*(2), 133-147.

Christopher, M., Lowson, R. & Peck, H. (2004). Creating agile supply chains in the fashion industry. *International Journal of Retail and Distribution Management*, *32*(8), 367-376.

Cobbing, M. & Vicaire, Y. (2016). *Timeout for fast fashion.* Retrieved 2019, from https://www.greenpeace.org/archive-international/Global/international/briefings/toxics/2016/Fact-Sheet-Timeout-for-fast-fashion.pdf

Dutta, D. (2002). *Retail at the speed of fashion*. Retrieved December 3, 2012, from http://thirdeyesight.in.

Fernie, J. (2004). *Retail logistics*. Oxford: Butterworth-Heinemann.

H&M. (2013). *Annual report*. Retrieved 2019, from https://about.hm.com/content/dam/hmgroup/groupsite/documents/masterlanguage/Annual%20Report/Annual-Report-2012.pdf

H&M. (2018). *Key Figures.* Retrieved 2018, from https://about.hm.com/en/investors/five-year-summary.html

Inditex. (2018). *Who we are.* Retrieved 2019, from https://www.inditex.com/en/about-us/who-we-are

Indtiex. (2018). *Annual report 2017.* Report. Retrieved 2019, from https://www.inditex.com/documents/10279/563475/2017+Inditex+Annual+Report.pdf/f5bebfa4-edd2-ed6d-248a-8afb85c731d0

Linden, A. R. (2016). *An Analysis of the Fast Fashion Industry* Senior Projects Fall 2016. 30. Retrieved 2019, from http://digitalcommons.bard.edu/senproj_f2016/30

McKinsey&Company. (2017). *The State of Fashion 2018.* Retrieved 2019, from https://cdn.businessoffashion.com/reports/The_State_of_Fashion_2018_v2.pdf

Mintel. (2007) *Clothing Retailing*. Mintel Intelligence, London

Morgan, L.R. & Birtwistle, G. (2009) An investigation of young fashion consumers' disposal habits. *International Journal of Consumer Studies*, *33*, 190–198.

Orendorff, A. (2018). *The State of the Ecommerce Fashion Industry: Statistics, Trends & Strategy.* Retrieved 2019, from https://www.shopify.com/enter-prise/ecommerce-fashion-industry

Rauturier, S. (2018). What is Fast Fashion. Retrieved 2019, from https://goodo-nyou.eco/what-is-fast-fashion/

Remy, N. a kol. (2016). *Style that's sustainable: A new fast-fashion formula***.** Retrieved 2019, from https://www.mckinsey.com/business-functions/sustainability/our-in-sights/style-thats-sustainable-a-new-fast-fashion-formula

Statista. (2019). *Annual revenue of ASOS worldwide from financial year 2012 to 2018 (in million GBP).* Retrieved 2019, from https://www.statista.com/statis-tics/485103/asos-revenue-worldwide/

Singh, G. (2017). *Fast Fashion Has Changed the Industry and the Economy*. Retrieved 2019, from https://fee.org/articles/fast-fashion-has-changed-the-industry-and-the-economy/

Stottlemire, K. (2017). *Fast Fashion vs. Sustainable Fashion.* Retrieved 2019, from https://www.hercampus.com/school/lmu/fast-fashion-vs-sustainable-fashion

Tokatli, N. (2007). Global sourcing: insights from the global clothing industry-the case of Zara, a fast fashion retailer. *Journal of economic Geography*, *8*(1), 21-38.