An In-depth Look at Footwear Retail YTD
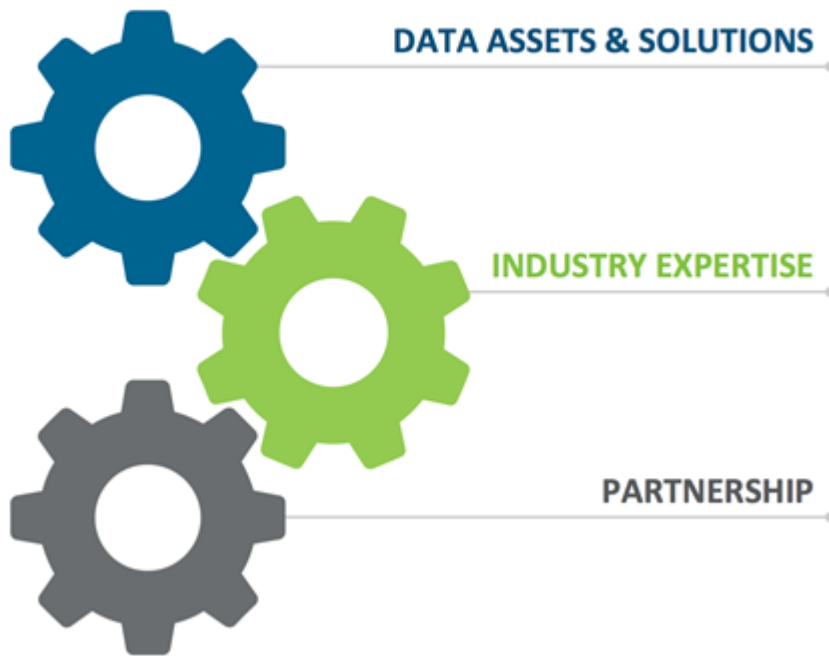
FDRA

npd

The U.S. Footwear Industry Market Drivers

12 months ending December 2017

Prepared for FDRA members

Why NPD?

We provide data-driven confidence to give our clients a winning advantage

DATA ASSETS & SOLUTIONS

INDUSTRY EXPERTISE

PARTNERSHIP

NPD has what every business needs: the core and essential data to drive better decision-making. It's masterfully collected and produced to give a complete market view. It's the foundation on which NPD continues to innovate with new data sources and solutions — helping you uncover opportunities, solve problems, and create success.

We've been doing this forever. We were the first to bring game-changing insight to many industries, cultivating expertise that has become our hallmark. We are trusted as *the* authority in our industries. We have demonstrated that we can see what others cannot, interpreting today's trends and anticipating the future.

Our people are passionately committed to understanding your business and developing deep and long term relationships, working together to illuminate a path to success. We journey with you, empowering you with knowledge, and guiding you to profitable growth.
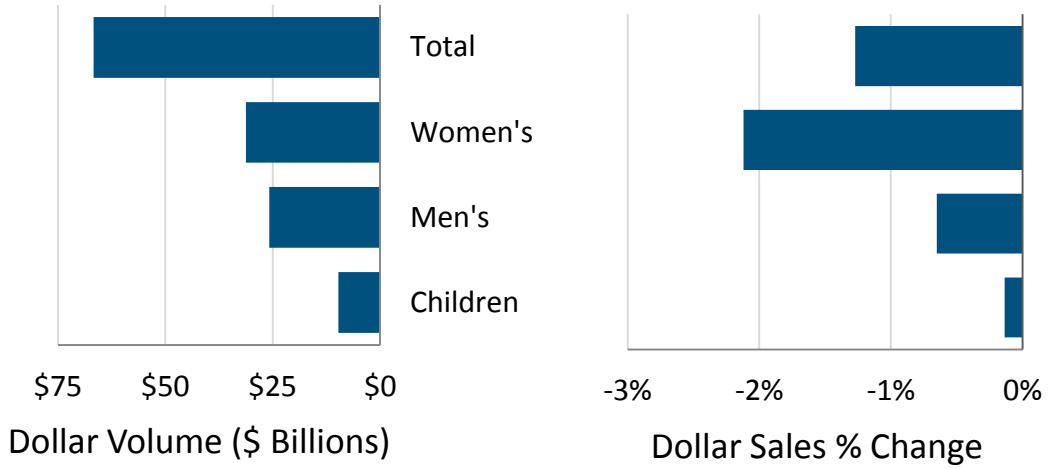
Highlights

The total footwear market is estimated at $67B for 12ME December'17, down -1% YOY.

- The total footwear market is down -1%. While each gender segment declined, Women's contributed to nearly 80% of the total losses.

- Representing 28% of sales, growth for the online market has picked up again. This was not enough to reverse the total market's downward trend, as retail stores saw declines of -3% or -$1.6B. However, as Chief Retail Industry Advisor Marshal Cohen noted in *NPD's 10 Retail Predictions for 2018*, "2018 will be the year that physical stores challenge the proliferation of online shopping. Key categories will try to show more growth in stores than online, giving e-commerce a good fight."

- Casual and Performance accounted for 68% of the dollar sales, but saw the biggest declines. Work/Occupational/Safety and Sport Leisure were the only growth categories.

- The sneaker remains the largest segment with $26.7B in dollar sales, but was down -1% vs. LY as a result of declines in Performance. However, Sport Leisure (non-performance) Sneakers were up +8%. Sandals and Slippers also grew during this time period as they continue to become year-round options. NPD's Industry Analyst Beth Goldstein stated in her blog *2018's Three C's of Fashion Footwear and Accessories*, "Function and versatility is top of mind. Similar to their housewares and technology, consumers are also looking for their footwear and accessories to do more than one thing, or to perform in a variety of conditions."

- Older Millennials (25-34) and Gen X (35-54) were the only growing age segments. Older Millennials (25-34) generated the most incremental dollars, gaining +$670MM vs. LY.

- Consumers within the income range of $75-$100K increased their footwear spending by +3%. The under $25K range saw the largest losses, attributing to nearly 70% of the total market decline.

- Responsible for almost 60% of total market sales, White consumer spending has seen a turnaround for this time period, up +1% to LY. The Hispanic market, the second largest segment, continues to decline.

- The Mountain division, up +11%, was the largest growth driver in the U.S. in terms of regions.
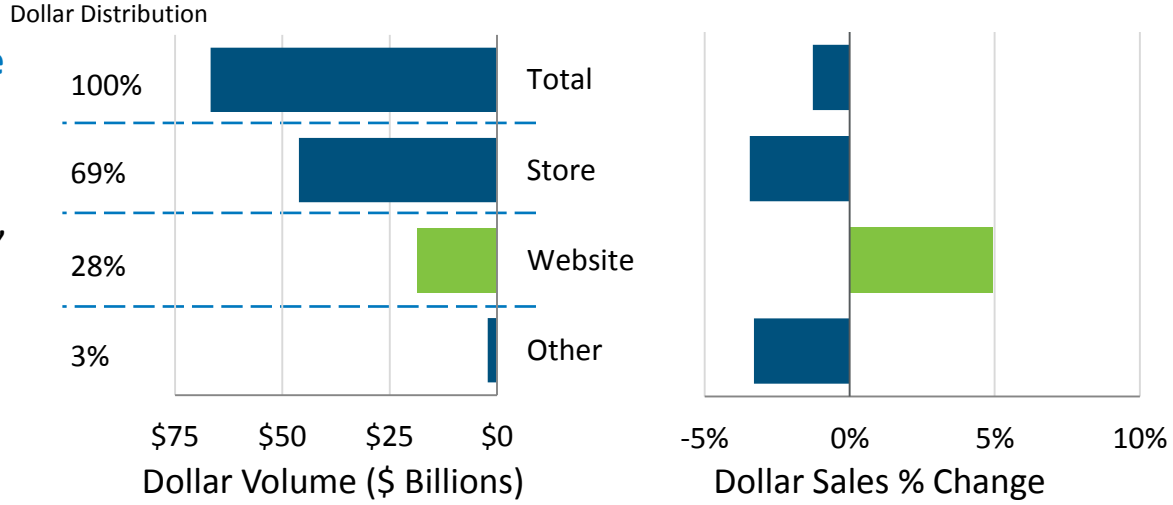
Footwear Market Sales Drivers 12ME December'17

Total Footwear Market by Gender

- The total footwear market is estimated at $67B for the 12 ME Dec '17, down -1% vs. LY. While each gender segment declined, Women's contributed to nearly 80% of the total losses.

Total
Women's
Men's
Children

$75 $50 $25 $0
Dollar Volume ($ Billions)

-3%   -2%   -1%   0%
Dollar Sales % Change

Total Footwear by Method of Purchase

- Representing 28% of sales, growth for the online market has picked up again. However, this growth of +5% was not able to offset the decline of store sales, down -3% vs. LY, which represented a -$1.6B loss for the period.
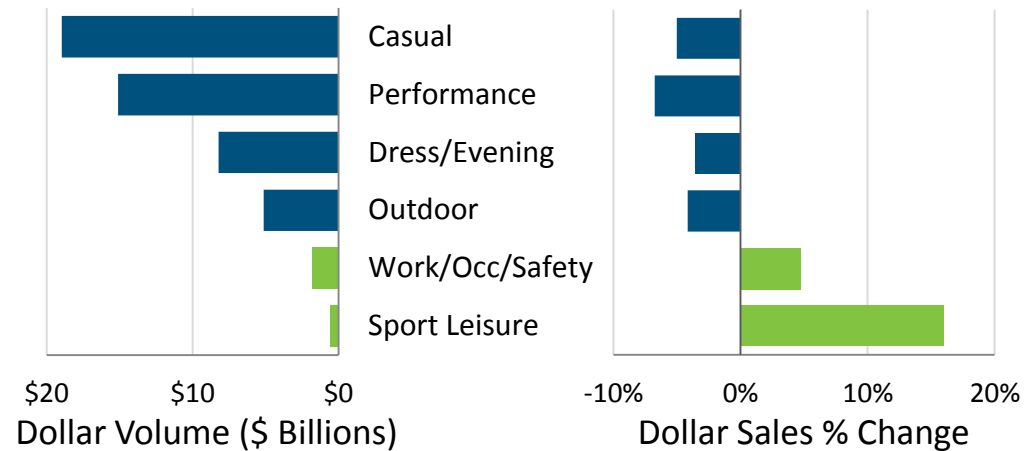
Dollar Distribution

100%   Total
69%   Store
28%   Website
3%   Other

$75 $50 $25 $0
Dollar Volume ($ Billions)

-5%   0%   5%   10%
Dollar Sales % Change

Source: The NPD Group/Consumer Tracking Service

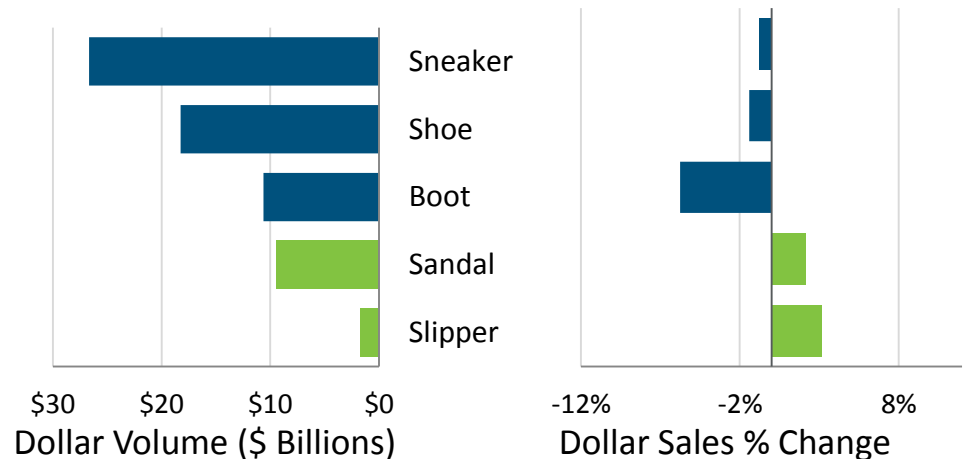# Footwear Market Sales Drivers 12ME December'17

Total Footwear by Category

- Casual and Performance accounted for 68% of the dollar sales, but saw the biggest declines. Combined, the two categories made up nearly 80% of the loss, or -$2.1B in sales. Work/ Occupational/Safety and Sport Leisure were the only growth categories.

Dollar Volume ($ Billions) — Casual, Performance, Dress/Evening, Outdoor, Work/Occ/Safety, Sport Leisure

Dollar Sales % Change

Total Footwear by Type

- Sneakers remain the largest segment with $26.7B in dollar sales, but were down -1% vs. LY due to the softness in Performance. Becoming all year round silhouettes, Sandals, up +2% from success in slide silhouettes, and Slippers (+3%), won in this time period.
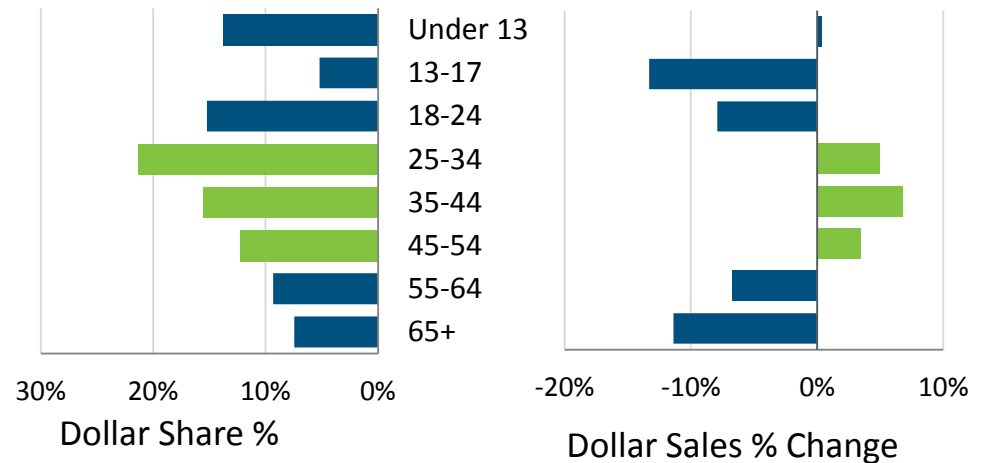

Dollar Volume ($ Billions) — Sneaker, Shoe, Boot, Sandal, Slipper

Dollar Sales % Change

Source: The NPD Group/Consumer Tracking Service
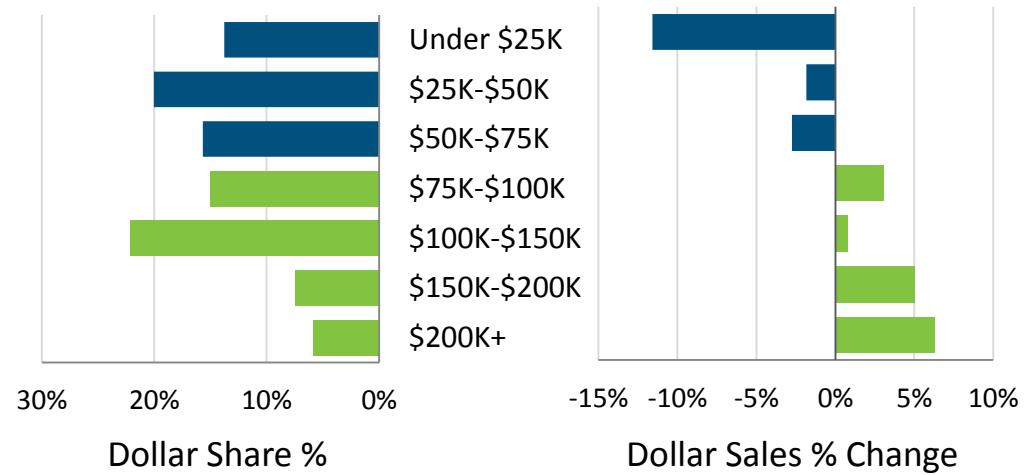
Footwear Market Sales Drivers 12ME December '17

Total Footwear by Age of Wearer

- Older Millennials (25-34) and Gen X (35-54) were the only growing age segments. Older Millennials (25-34) generated the most incremental dollars, gaining +$670MM vs. LY.

Dollar Share %

Dollar Sales % Change

Total Footwear by Income

- Consumers within the income range of $75-$100K increased their footwear spending by +3%, or +$300MM incremental dollars. The under $25K range saw the largest losses, attributing to nearly 70% of the decline or $-1.2B.


Dollar Share %

Dollar Sales % Change

Source: The NPD Group/Consumer Tracking Service

# Footwear Market Sales Drivers 12ME December'17

Total Footwear by Ethnicity

- Responsible for almost 60% of total market sales, White consumer spending has seen a turnaround for this time period, up +1% to LY. The Hispanic market remains the second largest segment at 20%, and continues to decline, down -7% or -$960MM incremental dollars.
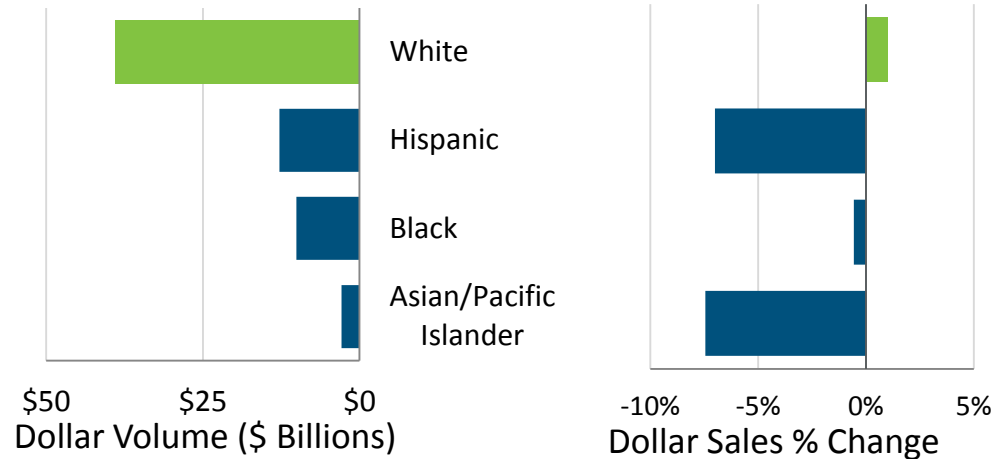
Total Footwear by Region

- The South Region generated 37% of total dollar sales, but South Atlantic specifically accounted for nearly half of the losses throughout the country. The Mountain division, up +11%, generated +$430MM in incremental sales.
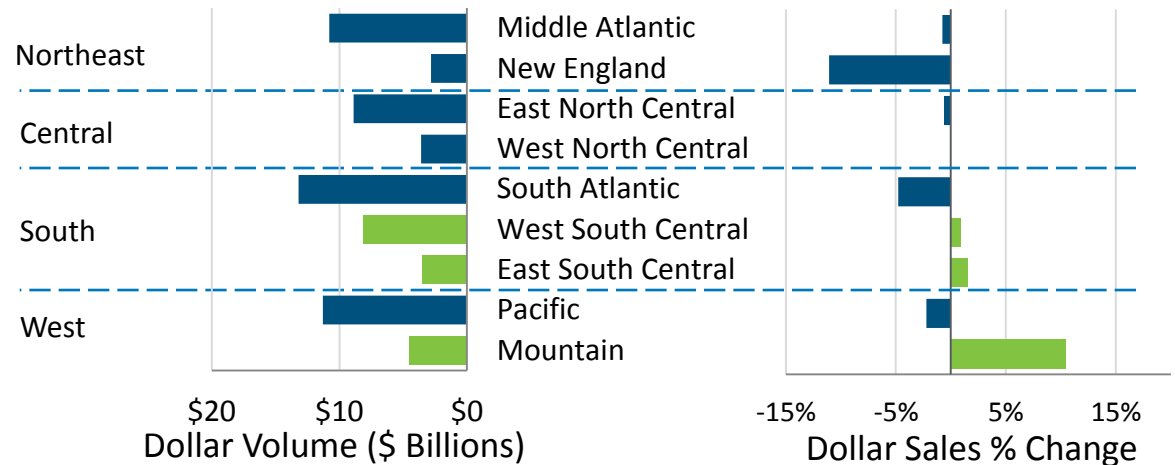
Source: The NPD Group/Consumer Tracking Service

NPD Credentials

FOUNDED   1966

EMPLOYEES   1300+ Worldwide

DATA ASSETS AND SOLUTIONS

Point-of-sale (scanner) information from more than 1,200 retailers representing approximately 165,000 stores worldwide

More than 12 million consumer interviews conducted annually

Longitudinal panel of more than 1 million consumers tracks buying behavior at the market basket-level, based on receipts for both online and brick-and-mortar retail purchases

Custom research and advanced modeling focused on identifying drivers of sales and market share. Specific solutions for Marketing Mix, Forecasting, Opportunity Identification, Category Management, Pricing Strategy, and more

INDUSTRY EXPERTISE

Apparel, Appliances, Automotive, Beauty, Consumer Electronics, Diamonds, E-commerce, Entertainment, Fashion Accessories, Food Consumption, Foodservice, Footwear, Home, Mobile, Office Supplies, Retail, Sports, Technology, Toys, Video Games, and Watches/Jewelry

CLIENTS

More than 2,000 of the world's leading brands and retailers

OPERATIONS

In 20 countries in the Americas, Europe, and Asia-Pacific

Thank you

Apparel

Appliances

Automotive

Beauty

Consumer Electronics

Diamonds

E-commerce

Entertainment

Fashion Accessories

Food Consumption

Foodservice

Footwear

Home

Mobile

Office Supplies

Retail

Sports

Technology

Toys

Video Games

Watches / Jewelry