

OMNI-CHANNEL AT FAST PACE

Most of the world remained occupied by 'what not to do' during COVID-19 times. In hindsight, it taught the world including fashion industry 'what to do' as well – the major learning being 'keep evolving'. Indeed, pandemic emboldened fashion's digital aspiration and fuelled its e-commerce growth. The pertinent question, however, is how sustainable this shift is in 2022 and beyond.

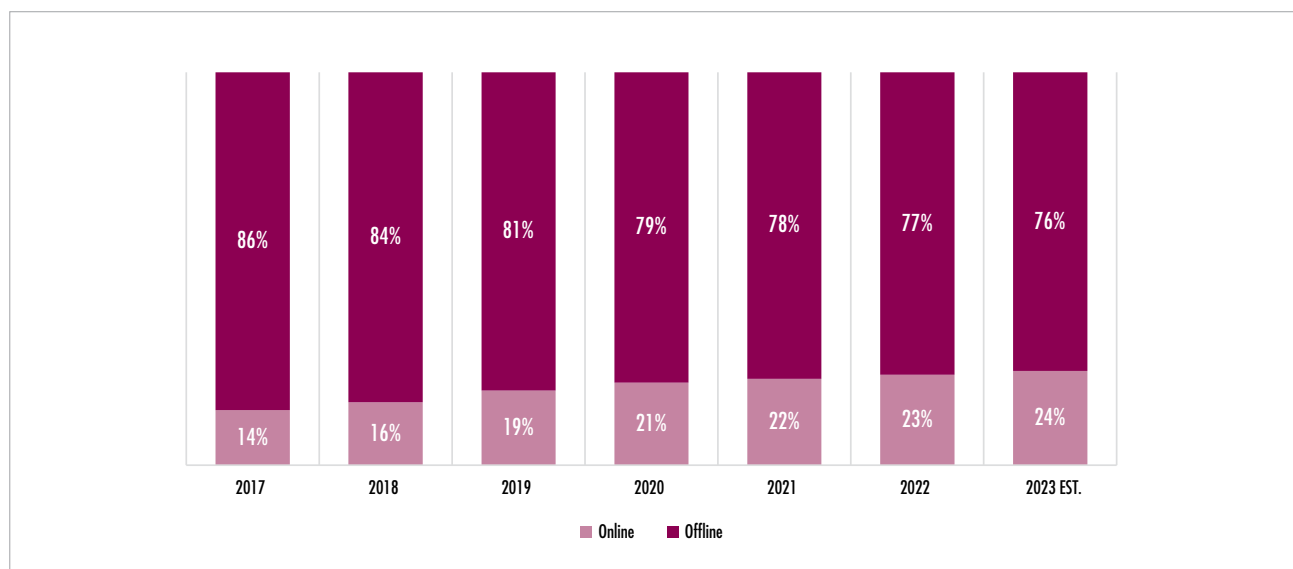
by **SANJAY BAKSHI**



For e-commerce, COVID-19 thrust five years of growth into a single year, overturning traditional loyalties towards offline channel and giving new birth to waves of Direct-to-Consumer and Omni-channel. With a global market value of \$760 billion in 2021, fashion comprising apparel, accessories and footwear together emerged the number one e-commerce segment in the world. Over the next five years, online fashion is projected to grow at CAGR of 7.18 per cent, which will put the industry at more than \$1 trillion by 2025. While total e-commerce fashion growth in 2020 remained 26.5 per cent, the e-commerce apparel growth was higher at 29.6 per cent, as per a report. The growth to \$1 trillion will be fuelled by two factors – penetration rates i.e., share of active paying customers, and e-commerce's share of retail fashion. Estimates project an overall increase in e-commerce penetration from 46.6 per cent in 2021 to 60.32 per cent by 2024, in apparel segment 12.7 per cent, in footwear segment around 12 per cent, and in bags & accessories segment it is estimated to exceed 8 per cent.

Another major development is the rise of multi-channel. While multi-channel connects digital experiences, omni-channel bridges the online-offline divide through a 'single view' of customers i.e., data with three points-of-purchase – e-commerce website, owned retail locations and wholesale marketplaces or partnerships. In addition to creating a cohesive customer journey, omni-channel operations allow fashion brands to create tangible customer experience. If true, this trend must be reflected by global fashion companies. To know that, let us investigate into e-commerce updates in relation to offline status of few such companies.

FIGURE 1 CHANNEL SHARE OF WORLD'S FASHION MARKET



SOURCE: Statista

Abercrombie & Fitch

Abercrombie & Fitch Co is among the leading global omni-channel specialty retailers of apparel and accessories for men, women and kids offering five renowned brands (founding years) operating under two segments – Hollister, which includes company brands Hollister (2000), Gilly Hicks (2017) and Social Tourist (2021); and Abercrombie which includes company brands Abercrombie & Fitch (1892) and Abercrombie kids (1998). Abercrombie & Fitch operates approximately 730 stores under these brands across north America, Europe, Asia and the Middle East as well as each brand’s dedicated e-commerce sites. It was in 2018 that the company exceeded \$1 billion in annual digital sales for the first time in its history. Since then, the company has removed 1.5 million underperforming

gross square feet or 23 per cent of the global base reflecting the closure of 228 locations, including 14 international flagship locations.

The company has heavily invested in omni-channel infrastructure, curbside and same day delivery during 2021 and achieved a digital penetration of 46 per cent during the fiscal. In comparison, this share used to be about a third of total revenue in 2019 – pre-COVID time. During 2021, net sales increased ~19 per cent primarily due to an increase in units sold as a result of increased store traffic relative to previous year and 8 percentage points growth in digital sales. Although percentage share of digital sales in 2021 declined compared to 2020, the value realisation remained stable around \$1.7 billion.

TABLE 1

FY: Feb – Jan	FY21	FY20	FY19
Net sales (in \$ billion)	3.71	3.13	3.62
Digital sales share	46%	54%	33%

SOURCE: Abercrombie

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GILLY HICKS 2 | CORPORATE.ABERCROMBIE.COM



ABERCROMBIE KIDS 2 | CORPORATE.ABERCROMBIE.COM



Adidas AG market comprises all wholesale and Direct-to-Customer (DTC) consisting of own retail and e-commerce business activities relating to distribution and sales of Adidas products to retail customers and end-consumers, wherein e-commerce is represented by adidas.com and Adidas app. In 2021, e-commerce business reached almost €4 billion, i.e., approximately 19 per cent of total revenue. By 2025, this business is expected to account for between €8-9 billion.

Although the company has been making deliberate efforts to shift from wholesale to DTC channels, the year 2021 saw a normalisation of the channel mix with store reopening, counterbalancing the exceptional growth of e-commerce in 2020. DTC channel share declining from 41 per cent in 2020 to 38 per cent in 2021, and 2 percentage points drop in e-commerce share marked the revival of store retailing for the Group. Despite the drops in share, Adidas expects its DTC to account for around half of the company's total net sales by 2025 and generate more than 80 per cent of the targeted top-line growth. To achieve that, the company is investing into digital capabilities and teaming up with its partners to expand online channels. Its 'Partner Program' platform allows its partners to gain access to Adidas product inventory. This enables Adidas to deliver an enhanced and consistent shopping experience in digital wholesale too, by making its product images and descriptions flow seamlessly into partners' systems to power their website and app experiences.

Driven by the shift in purchasing behaviour towards online channels in the recent past, Adidas plans to continue investing in the channel with capital expenditure for 2022 budgeted at €900 million. Investments into own retail stores as well as digital including e-commerce, will make up the biggest part of the company's capital expenditure. Not only that, Adidas is also focusing on own and its partners' e-commerce and other digital channels with targeted consumer marketing, exclusive product launches and prioritising supply chain management.

The company continued with its digital acceleration by moving available inventory to e-commerce as and when required throughout 2020 and 2021; expanding digital content studio in Amsterdam, Portland and Shanghai; and, provisioning its marketing and tech budget towards digital. Today, its e-commerce platform and app are respectively available in 58 and 45 countries across all major markets. To enable a broad range of products to be available at point of sale, 21 of company's distribution centres are set up to serve all its channels, 37 are specialised to serve retail and wholesale customers,

while 9 distribution centres are solely dedicated to servicing the e-commerce consumers.

ADIDAS SHANGHAI FLAGSHIP | ADIDAS-GROUP.COM



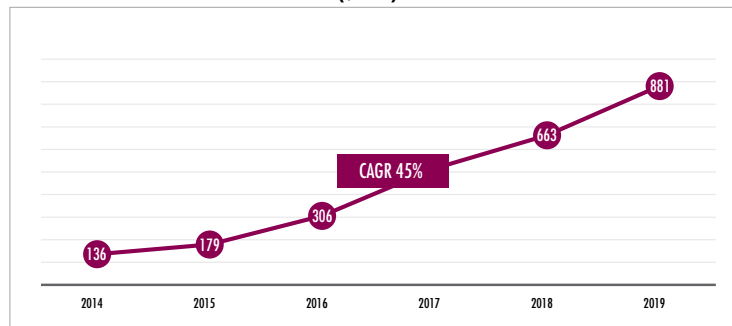
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TABLE 2

FY: Jan – Dec	FY21	FY20
Total revenue (in € billion)	21.2	19.8
Wholesale	62%	59%
DTC	38%	41%
E-commerce	19%	21%
Own retail	19%	20%

SOURCE: Adidas

FIGURE 2 E-COMMERCE NET SALES (\$ MN) OF ADIDAS.COM FROM 2014 TO 2019



SOURCE: Statista

TABLE 3

Projections	FY21	Objective 2025
DTC share	38%	To increase to around 50% of net sales
E-commerce revenues	~€4 billion	To increase to a level of between €8-9 billion

SOURCE: Adidas

BURBERRY

Burberry Plc is the British luxury fashion house headquartered in London, England. Born in around last decade of the 19th century, today it designs and distributes ready-to-wear, leather goods, footwear, fashion accessories, eyewear, fragrances and cosmetics through a network of directly operated and franchised stores as well as online channels, providing a seamless omni-channel experience.

Owing to changed habits of customers during pandemic times, the share of digital sales within luxury market is expected to reach up to 30 per cent by 2025 compared to 12 per cent in 2019. As the online touchpoints influenced more than 85 per cent of consumer purchases in 2020 (75 per cent in 2019), Burberry's omni-channel journey also grew in share and value. Like many fashion companies, Burberry also relied upon digital innovation to mitigate the impact of reduced traffic in its stores during lockdowns. The approach drove a strong double-digit increase in full-price digital sales, and almost doubled turnover on burberry.com. The year 2020 witnessed online channel growth of 50 per cent compared to 22

per cent growth in 2019. This translated into a channel share of 23 per cent, doubling up from the share in 2019. Sales growth was particularly significant on brands' own websites, increasing by 80 per cent. Prominent spike in online sales was seen in China where the growth was one-and-a-half times greater than the average global online market increase, followed by Europe and the US. In terms of product categories, accessories, shoes and beauty accounted for the lion's share of growth.

In 2021, online channels grew by 89 per cent reaching a share of 22 per cent of overall sales. This time, the growth was driven by accelerated adoption of online channels across all age groups, and was particularly strong on brand websites, representing 40 per cent of the online personal luxury goods market. However, key product categories online were leather goods and sneakers. Overall, Burberry is seeing strong take-up among its customers of omni-channel solutions, including booking store appointments, which the company expanded across more stores and countries during FY21/22.

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BURBERRYPLC.COM

carter's®

Carter's Inc operates the largest specialty retail store chain and most highly rated online platform focused on children's apparel in the United States, with omni-channel capabilities to support the shopping preferences of families with young children. It also sells its products through online US e-commerce (branded) sites, relaunched in fiscal 2019.

When the pandemic hit in 2020, the company accelerated the execution of new capabilities to support the same-day pickup of e-commerce orders in its stores, curbside pickup and the direct shipment of e-commerce orders from its stores. It partnered remotely with its wholesale customers, leveraged its investments in digital product imagery, and secured higher bookings for the company's product offerings in 2021. During the pandemic, it added over two million new e-commerce customers in the United States.

E-commerce has emerged as the company's fastest growing and highest margin business with its brands having the largest share of the e-commerce children's apparel market in the US. In 2020, carters.com online experience was rated as one of the top user experience among the largest US and European e-commerce websites. Alongside, the company has built strong relationships with leading e-commerce retailers of young children's apparel including Amazon, Target, Walmart, Kohl's and Macy's.

E-commerce continued to be the company's highest margin business in 2021 too, contributing 40 per cent to its total US retail sales, up from 31 per cent in 2019, before the pandemic. Over the next few years, Carter's Inc expects its e-commerce sales to grow to nearly 50 per cent of total US retail sales being the best-selling young children's apparel brand online in North America. The global online sales of company's brands grew to nearly \$1.4 billion in 2020, which is almost double versus 2019.



CARTERS.COM

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CARTERS.COM



CARTERS.COM

chico'sFAS^{NC}

Chico's FAS is a Florida-based fashion company founded in 1983. One of leading fashion retailers in north America, the company started by creating fashion communities anchored by service. Owner of three unique brands, each founded and led by women – Chico's, WHBM and Soma, operated a network of 1,284 stores in the US as of August 24, 2021, and sold merchandise through 66 international franchise locations in Mexico and two domestic franchise airport locations. The company's merchandise is also available at the company's and its respective brand's websites as well as third-party channels. In 2020, the company decided to rapidly transform into a digital-first company and since then is leveraging technology to engage and deliver across channels and brands. It fast-tracked numerous innovation and digital technology investments continuing into 2021 too. The investments are targeted at converting single-channel customers to be omni-channel or multi-channel customers, as the average omni-channel customer spends more than three times the average single-channel customer.

During FY21, over 40 per cent of its sales were digital, a 12 percentage point improvement over just two years ago. The company is on a trajectory to exceed \$2.5 billion in revenue by 2025 which will include more than \$1 billion of digital sales. This will be driven by enhanced marketing efforts to drive traffic and new customers to its brands while retaining newly acquired customers at a meaningfully higher rate than the pre-pandemic year i.e., 2019. The stores also form an important part of the company's omni-

channel strategy. The company claims its digital sales are higher in the markets where it has retail presence. Going further, the company intends to optimise its real estate portfolio, reflecting its emphasis on digital and priority for higher profitability standards. Consequently, 36 underperforming locations since the beginning of 2021 have been closed, rationalising to 1,266 stores. The company further anticipates closing approximately 40 more stores in 2022 along with plans to add up to 30 new Soma stores.

The company has strategically developed digital commerce with each brand's website allowing the customers to shop company stores 24/7, digitally browse inventory prior to making a trip to stores, or helping them locate a store nearby. Customers can also choose to Buy-Online-Pick-up-In-Store (BOPIS), curbside or have it shipped directly to them aided by almost all possible payment options. Many products are exclusively available online including extended sizes, additional style and colour choices, premier partner brands and clearance items. Online merchandise is also available for order through call centre and clienteling applications in company's stores. Another area where Chico's FAS has an edge over many retailers is Foreign Trade Zone status granted to its DC by both the US Department of Commerce and US Customs and Border Protection. This status facilitates international expansion and allows the company to move certain merchandise into the DC without paying US Customs duty until the merchandise is subsequently shipped to domestic stores or online customers.

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CHICO'S

FAST RETAILING

Japan's Fast Retailing Co is among the world's top 3 largest manufacturers and retailers of private-label apparel in terms of sales, and operates through four business segments – UNIQLO Japan, UNIQLO International, GU and Global Brands. Its pillar brand UNIQLO having its e-commerce business launched in 2000, generated approximately ¥1.77 trillion (83 per cent) in Group's ¥2.133 trillion annual sales.

In FY20, Group's online sales accounted for ~16 per cent of total sales. Geographically, online sales accounted for roughly 13 per cent in Japan, 20 per cent in China, 10 per cent in Southeast Asia & Oceania, 20 per cent in Europe and 40 per cent in North America. Seeing the results, the group has decided to target 30 per cent annual growth in its future online sales.

In FY21, UNIQLO International recorded 10.2 per cent and 121.4 per cent increase respectively in revenue at ¥930.1 billion and profit at ¥111.2 billion. Within the segment, Europe reported a large rise

in revenue and a positive operating profit thanks to e-commerce sales which expanded favourably, rising 20 per cent year-on-year to an approximate 20 per cent share of total sales. The segment's China region did exceptionally well with North America also recovering from COVID-19.

During the same fiscal, UNIQLO Japan reported revenue of ¥842.6 billion with 4.4 per cent YoY growth and large increase in operating profit to ¥123.2 billion with 17.7 per cent YoY growth that included e-commerce sales growth of 17.9 per cent to ¥126.9 billion, registering a share of 15.1 per cent in total revenue.

The GU segment also recorded a rise in revenue but a decline in profit in FY21. While sales increased 1.4 per cent, the profit fell by 7.6 per cent. GU e-commerce sales also rose, expanding approximately 50 per cent compared to FY19 levels and constituting approximately 11 per cent of total sales.

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TABLE 4

FY: Sep – Aug	FY21	FY20	FY19
Group revenue (in ¥ billion)	2,132.90	2,008.80	2,290.50
Share of digital sales	20%	15.6%	13.7%

SOURCE: Fast Retailing



HARAJUKU STORE | FASTRETAILING.COM

FRENCH CONNECTION

Conceived in 1972, French Connection designs, produces and distributes branded fashion clothing for men and women to more than 50 countries around the world through its main distribution channels: retail stores, e-commerce, wholesale and licensing. Its principal brand French Connection accounts for 92 per cent of the Group's revenue.

Group's fiscal ending on January 31, 2020 would be reported as FY19 and so on. Accordingly, Group's FY20 was marked with a revenue decline of 11.4 per cent, impacted by the planned closure of stores and the difficult retail trading environment in the UK. Consequently, total e-commerce revenue also contracted by 8.7 per cent across the Group's websites notwithstanding an increased share of e-commerce in Group's total retail sales, growing to 24.2 per cent (21.1 per cent in FY19). Mobile phone transactions as a proportion of e-commerce traffic also increased to 63.8 per cent of all online transactions, being 56.8

per cent in the previous year, reflecting the continued focus and development of CRM capability and targeted social media advertising.

In FY21, Group revenue further declined by 40.4 per cent within which retail sales decreased by 51.8 per cent to £22.5 million with both UK/Europe and North America sales severely impacted by COVID-19. The decline in retail revenue was mitigated by YoY e-commerce growth which constituted 53.8 per cent of total retail sales. During the year, seven each of non-contributing stores and concessions including two of Group's locations in north America were closed, ending the fiscal with 67 stores as against 81 in FY20. This closure translated into 22 per cent reduction in average selling space. The mobile phone transactions during the year increased to 67.4 per cent, bettering previous year's proportion. The Group has not reported FY22 results till the publishing of this feature.

TABLE 5

FY: Feb – Jan	FY21	FY20	FY19
Group revenue (in £ million)	71.5	119.9	135.3
Retail sales (in £ million)	22.5	46.7	58.4
Digital sales share in retail	53.8%	24.2%	21.2%

SOURCE: French Connection



In FY21, the decline in retail revenue was mitigated by YoY e-commerce growth which constituted 53.8 per cent of total retail sales.

Gap Inc.

Founded in 1969 in San Francisco (US), GAP Inc is the largest American specialty apparel company that offers clothing, accessories and personal care products for men, women and children under Old Navy, Gap, Banana Republic and Athleta brands. The company uses omni-channel capabilities to bridge the digital world and physical stores making its products available for purchase worldwide through company-operated stores, franchise stores and e-commerce sites. In FY21 its net sales stood at \$16.7 billion.

Gap.com, the company's online store with nationally focused sales, was launched in 1997. Today, its e-commerce net sales are generated almost entirely in the US. In terms of product category, major part of this sale comes from fashion category. In 2021, the company's e-commerce net sales were \$4.8 billion, i.e., 29 per cent of total net sales. Over the last two decades, the company has been regularly incorporating

digitisation and e-commerce capabilities in its operation. In the same regard, its brand Old Navy opened its website for shopping way back in 2000 and ten years later in 2010, exclusive Gap.cn was launched in China for online shopping. Last year, the Gap Home was exclusively launched on Walmart.com with a 200-piece collection featuring bed, bath, tableware, rugs, pillows and more.

As per latest update, Gap Inc has entered into a long-term franchise agreement with India's Reliance Retail Ltd, appointing the Indian retail powerhouse as its official retailer across all channels in India. Reliance will now offer Gap's latest fashion offerings to Indian consumers through a mix of exclusive brand stores, multi-brand store expressions and digital commerce platforms. Gap will be benefitted by Reliance's established competencies in operating omni-channel retail networks, scaling local manufacturing and driving sourcing efficiencies.

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GAPINC.COM



Swedish fashion group H&M ended FY21 with net sales of €19 billion, 32 per cent of which was online sales. Bouncing back from the pandemic in 2021, H&M online business reported 30 per cent year-on-year growth. Despite stores opening up again, its online business continues to be strong with online sales growing 10 per cent in Q4, FY21.

The group led by flagship brand H&M offers a portfolio of seven other distinct brands: COS, Monki, Weekday, & Other Stories, H&M Home, ARKET



and Afound, each having sizeable offline and online presence including various external marketplaces.

The brand H&M Home (launched in 2009) is available in most of H&M online markets through standalone H&M Home concept stores and at shop-in-shops in H&M stores, ARKET (launched first store in 2017) has presence across Europe and Asia. At the same time, Afound (launched online in 2018) is solely available online in 4 markets – Sweden, the Netherlands, Germany and Austria, to focus on online sales to strengthen its digital position. COS, Weekday, Monki, & Other Stories and ARKET offer global selling too, which enables customers in around 70 additional markets to shop online. Group's separate brands are also online-heavy with & Other Stories and Monki being available in more countries digitally compared to physical stores. Focusing on omni-channel sales driven by increasingly integrated physical and digital channels in the form of online, stores, marketplaces and external platforms, H&M brands reach customers around the world. The store portfolio is also being optimised to ensure a relevant presence in each market.

H&M online operation is sustainable too. In some markets, H&M's online customers enjoy the privilege to choose from various low carbon options by utilising a range of wide and flexible delivery options. In other markets like the Netherlands and parts of Sweden, Italy and France, H&M customers can opt to receive and return items using bicycle delivery service, electric vehicles or foot. This, in combination with using biogas, hydro-treated vegetable oil (HVO) and electric vehicles from the logistics centre, additionally helps in reducing CO₂ emissions.

TABLE 6

H&M Brands	No. of markets (As of Nov' 21)		Expansion 2021	Expansion 2022
	Markets with stores (Store count)	Online markets	New markets	New markets
H&M	75 (4,242)	54	Store: Panama (franchise) Online: Qatar (franchise), Chile	Store: Ecuador, Kosovo, North Macedonia, Cambodia (franchise), Costa Rica (franchise), Guatemala (franchise) Online: Belarus, Colombia, Kazakhstan, Peru, Ukraine
COS	47 (275)	36	Store: Greece, Estonia, Philippines	Online: Australia, Saudi Arabia (franchise)*
Monki	20 (98)	30	-	-
Weekday	16 (57)	30	-	-
& Other Stories	24 (78)	33	Store: Israel, China	Store: Singapore
ARKET	9 (24)	32	Store: South Korea, China	Store: France, Russia*
Afound	-	4	-	-
H&M Home	51	42	Store: Thailand (franchise)	-

*OPENED IN DEC' 21; FY: DEC – NOV; SOURCE: H&M

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HUGO BOSS

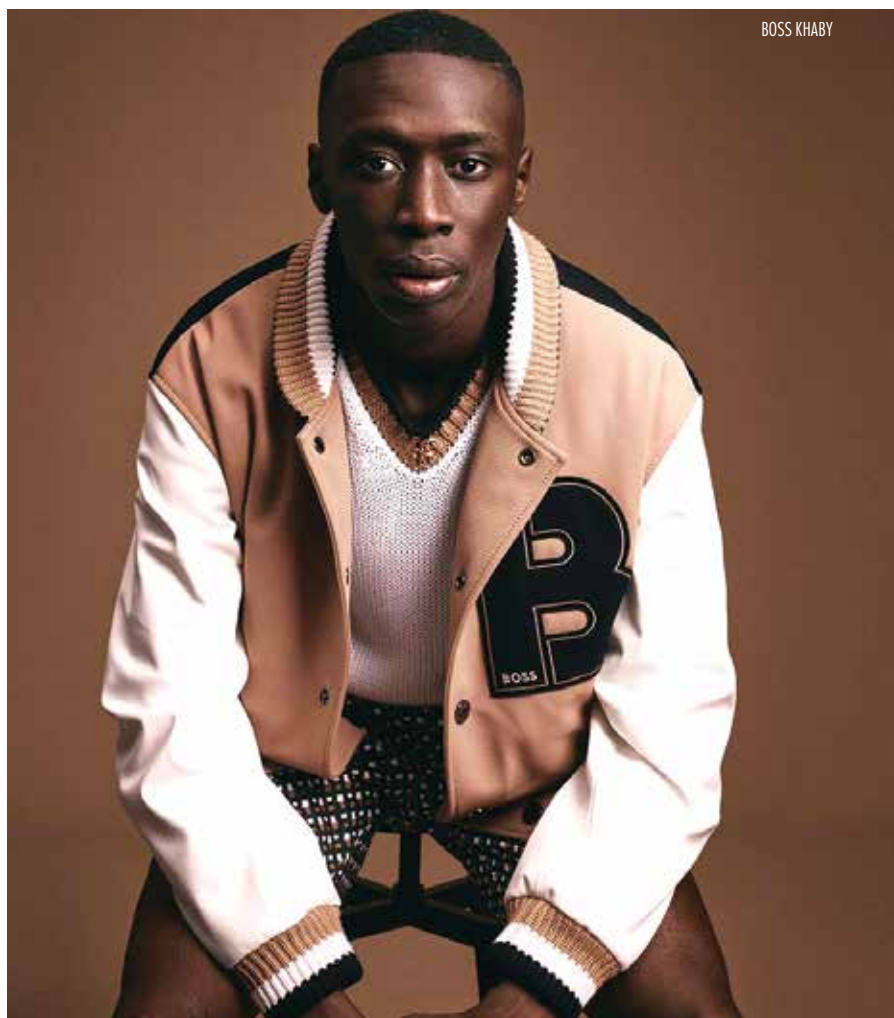
HUGO BOSS AG is a German apparel company led by two iconic brands – BOSS and HUGO. The brands offer men's and womenswear, shoes and accessories as well as licensed products such as fragrances, eyewear and watches. Today, customers can purchase HUGO BOSS products in 128 countries through 451 brick & mortar BOSS and HUGO stores, as well as self-managed shop-in-shops and outlets. Online sales are generated through websites of both brands in 59 countries (2020: 47 countries). HUGO BOSS recent sales have been €1.9 billion (FY20) and €2.8 billion (FY21).

The company has adopted CLAIM 5 strategy encompassing 5 focus areas – Boost Brands, Product is King, Lead in Digital, Rebalance Omni-channel, and Organise for Growth. Driving digitalisation is its essential part that covers digital trend detection, product development, AI-enabled pricing capabilities and the company-wide rollout of digital showrooms. HUGO BOSS plans to increase its investment in digitalisation by more than €150 million by 2025. The HUGO BOSS Digital Campus, based in Metzingen (Germany) and Porto (Portugal), additionally strengthen the global e-commerce business as well as company's CRM and tech capacities. Among its first priorities was the successful global relaunch of hugoboss.com in early 2022.

While total digital sales amounted to 24 per cent of the Group's sales in the last fiscal (2020: 20 per cent), the company targets to increase this share between 25-30 per cent (more than €1 billion) by 2025. HUGO BOSS also aims to enable customers in around 120 markets to purchase the entire product range via hugoboss.com.

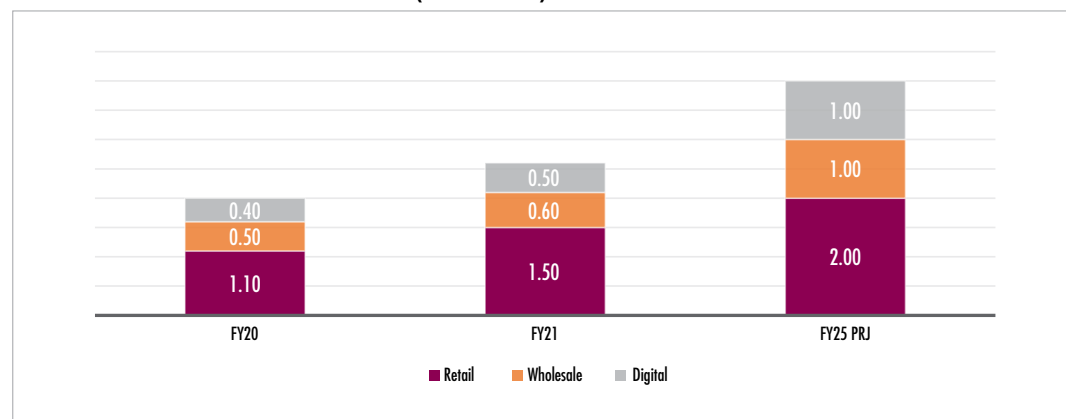
Both in 2020 and 2021, store retail business accounted for 54 per cent of the Group's sales. Going further, around 80 per cent of the Group's own stores will be modernised or further optimised within next three years. Overall, HUGO BOSS operates 1,228 own brick & mortar points of sales (2020: 1,157). In Q1,

FY22, the digital sales increased by 22 per cent, 145 per cent up compared to Q1, FY19. In Q2, FY22, the digital sales increased by 11 per cent. Compared to FY19, the digital sales more than doubled by 128 per cent.



In Q1, FY22, the digital sales of HUGO BOSS increased by 22 per cent, 145 per cent up compared to Q1, FY19. In Q2, FY22, the digital sales increased by 11 per cent. Compared to FY19, the digital sales more than doubled by 128 per cent.

FIGURE 3 **GROWTH AMBITION BY CHANNEL (IN € BILLION)**



SOURCE: HUGO BOSS; figures rounded off

INDITEX

Spanish fashion group Inditex – the owner of brands Zara, Massimo Dutti and Pull & Bear, wants to lift up future share of its online sales to almost a third of total revenue initiated by the pandemic-triggered e-commerce boom during 2020 and 2021. The company envisions online sales to account for 30 per cent of total sales by 2024, up from 25.5 per cent last year when COVID-19 kept many shoppers at home. Although the share dipped only slightly in the initial months of the year, it contributed to an 80 per cent rise in net earnings. Shoppers returning to physical stores, marking a return of normalcy, lifted the sales revenue above pre-pandemic levels. Nevertheless, online sales which shot up 67 per cent in the three months to April 2021 as another wave of the pandemic hit, fell only 6 per cent in the same period in 2022, suggesting a more permanent and sustained

shift to online shopping.

Inditex online sales for the period 2018 to 2021 have grown at a CAGR of 31 per cent doubling its share in total net sales. Inditex customer engagement also ascended with active app users reaching 146 million. Online visits in FY21 grew to 6.2 billion from >5.2 billion in 2020 and >3.5 billion in 2019. Additionally, the Group has 228 million followers on social media.

Owing to a digital shift, starting in the first half of 2020 due to coronavirus, Inditex has spent millions on online presence of its brands in an effort to create more digital market share, independent of anything Amazon was doing or is doing today. Not only has the digital shift opened up Inditex to new audiences but it also increased the share of commerce connected through mobile commerce, mobile payments and mobile wallets. **FF**

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TABLE 7

FY: Jan – Dec	Pre-Covid		Covid times		Projection
	FY18	FY19	FY20	FY21	2024
Net sales (in € million)	26,145	28,286	20,402	27,716	
Share of online sales	12%	14%	32%	25.5%	30%

SOURCE: Inditex



ZARA ONE NEW CHANGE LONDRES