

TEEN ANGST

Reaching validation-driven non-conformists is as hard as it sounds **by SUSAN REDA, EDITOR**

Outgoing, open-minded and engaged one day; combative, distant and opinionated the next. Today's teens and young adults are an enigmatic group and, with the exception of parents, no one knows that better than retailers.

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— Dana Telsey, Telsey Advisory Group

Over the last few years retailers that cater to this segment have struggled to figure out what they want to buy, how much they're willing to spend and how to connect with them in a way that's equal parts edgy, transparent and relevant. The days of teens dressing head to toe in one brand are over; experts say they don't define themselves by a label but rather by how they put items together to create an individual look.

Same-store sales declines and store closings have hit almost every major brand and the three A's — Abercrombie & Fitch, American Eagle and Aéropostale — are among those hard hit by the changing market. All posted sales declines in fiscal 2013, and A&F and Aeropostale have announced intentions to close units in the near term. Hoping to stem the tide, plans are in the works to shorten lead times, reduce average costs and adopt greater price flexibility.

Released last month, Piper Jaffray's 27th semi-annual "Taking Stock with Teens Survey" bears out the malaise retailers are battling. For the first time in survey history, food (20.8 percent) edged out clothing (20.7 percent) for the

biggest share of teen spending. The top fashion trend, cited by a commanding 28 percent of the females surveyed, was leggings: Denim jeans, a teen staple for decades, didn't crack the top 10. And the brand topping the "preferred" lists for both clothing and footwear was Nike.

"What's different about this generation of teens ... is that they are non-conformists, they seek experiences over products and they align with brands that are practical yet cool," says Stephanie Wissink, co-director of investment research and senior research analyst at Piper Jaffray.

The results, based on feedback from some 7,500 teens in 48 states, found that males are spending more (up 4 percent from fall 2013), spending on accessories declined more than 20 percent and teen visits to stores remain on the decline. While 75 percent of the females surveyed say they prefer to shop in-store versus online, male shoppers are split right down the middle when it comes to their online/offline preference.

DRAMATIC CHANGE

Dana Telsey, CEO and chief research officer of Telsey Advisory Group, believes this segment is "in the midst of dramatic change and we're still in the early innings. A lot of teen retailers are going through a change in leadership ... updating not only the product but their store environment. They're also investing more dollars in their websites and adjusting the way they go to market."

The segment is "already seeing store closings and I think we'll see more as they work to figure out how to differentiate themselves," she says. "They're all talking about how to become more relevant — and stay relevant."

Among the key changes Telsey identifies is a shift in the competitive environment brought on by the influx of "fast fashion" formats from overseas including H&M, Joe Fresh and Uniqlo and — closer to home — Forever 21. "Teens have more choices for fashion items at competitive prices," she says. "Speed to market is imperative. Trends are developing more quickly and being consumed more quickly."

Stacey Widlitz, president of SW Retail Advi-



sors, believes teen retailers have been struggling since the recession with no relief on the horizon. Some “execute and get fashion and inventory levels right,” she says, but “then there are the ones that can’t get out of their own way.”

Widlitz says this market segment remains over-stored and is ripe for a shakeout. “The emergence of fast fashion has blown the traditional players away,” she says. “They need to readjust their businesses and adapt or they’re not going to get their market share back.”

Widlitz recalls two recent earnings conference calls during which management brushed aside the impact of fast fashion. “That was the most concerning thing I heard,” she says. “Putting on the blinders is not going to help.”



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MESSAGE OVERHAUL
Connecting with teens today is vastly different than it was even just a few years ago according to Liz Crawford, vice president of strategy and insights for Match Marketing and author of *The Shopper Economy*. She describes teens as a multicultural group (42 percent are either Hispanic, African-American or Asian-American) with considerable purchasing power (in 2012, 29 percent lived in homes where annual income exceeded \$100,000). Crawford insists that the influence of digital video consumption cannot be overlooked, nor can the sway of today’s celebrity fascination.

“Some of the most important vehicles for retailers in this space have become haul videos, celebrity photos and bloggers’ picks,” she says. Two-thirds of teens shop on websites and “cherry-pick items from any number of retailers.” Digital entertainment is “emerging as a new retail channel. Teens are shopping contextually and sharing [and] celebrities have become the new mannequins.”

Crawford insists it’s about marketing “where the eyeballs are. Teen marketers may be better served placing their garments in with the ‘it’ celebrity of the moment — whether that be Shailene Woodley or Selena Gomez — than relying on the approaches they used in the past.”

TECHNOLOGY TRUMPS FASHION

Experts say that the amount of discretionary income spent on technology can’t be overlooked in an assessment of how this market has changed. Les Berglass, chairman and CEO

of Berglass + Associates, which specializes in executive recruitment, surmises that given the choice of a \$500 gift certificate to a well-known teen retailer or Apple, a majority of teens would choose the latter.

“The apparel category thirsts for innovation,” Berglass says. “Teens are looking for something new and they’re being shown hoodies and t-shirts that might as well have six to eight years of dust on them.”

Teens will spend money, he says, “but it’s up to the retailers to excite them. Digital tools play a conspicuous role in teens’ lives. They’re digital natives and they expect in-store experiences to be more engaging than racks of logo hoodies. ... It’s up to the retailers to deliver innovation. Teens want newness.”

Bill Faust, managing partner of Ologie, a branding agency that works closely with colleges and universities, empathizes with retailers trying to get a handle on this consumer. “They’re driven by validation and acceptance by their peers,” he says. “To some extent that’s true of every generation of teens, but among this group we see it more so than ever.”

And today’s teens have more of everything available to them. “Their knowledge base is greater and faster — and they have far greater choices,” Faust says. “If you want to connect with this crowd you have to be nimble and flexible. They don’t go to the mall to form opinions. They’ve already checked out what they want and they know where to get it and what they’ll pay.”

BACK TO SCHOOL OR BUST

What does all this mean for teen retailers who will be on the cusp of the back-to-school season in a few months? Experts suggest that those expecting a considerable bump in sales are likely to be disappointed.

“The concept of back-to-school may resonate with parents but it’s fast approaching obsolete with students,” Faust says. “Years ago when school ended in May or June teens didn’t see a lot of their friends over the summer. ... Now kids are connected 24/7, 365 days a year via various forms of social media. With the ability to network all the time, the coolness factor of new clothes for back to school doesn’t really stack up.”

Telsey agrees. “Buying a pile of clothing at one time doesn’t work. The idea of back-to-school is old school.” **STORES**