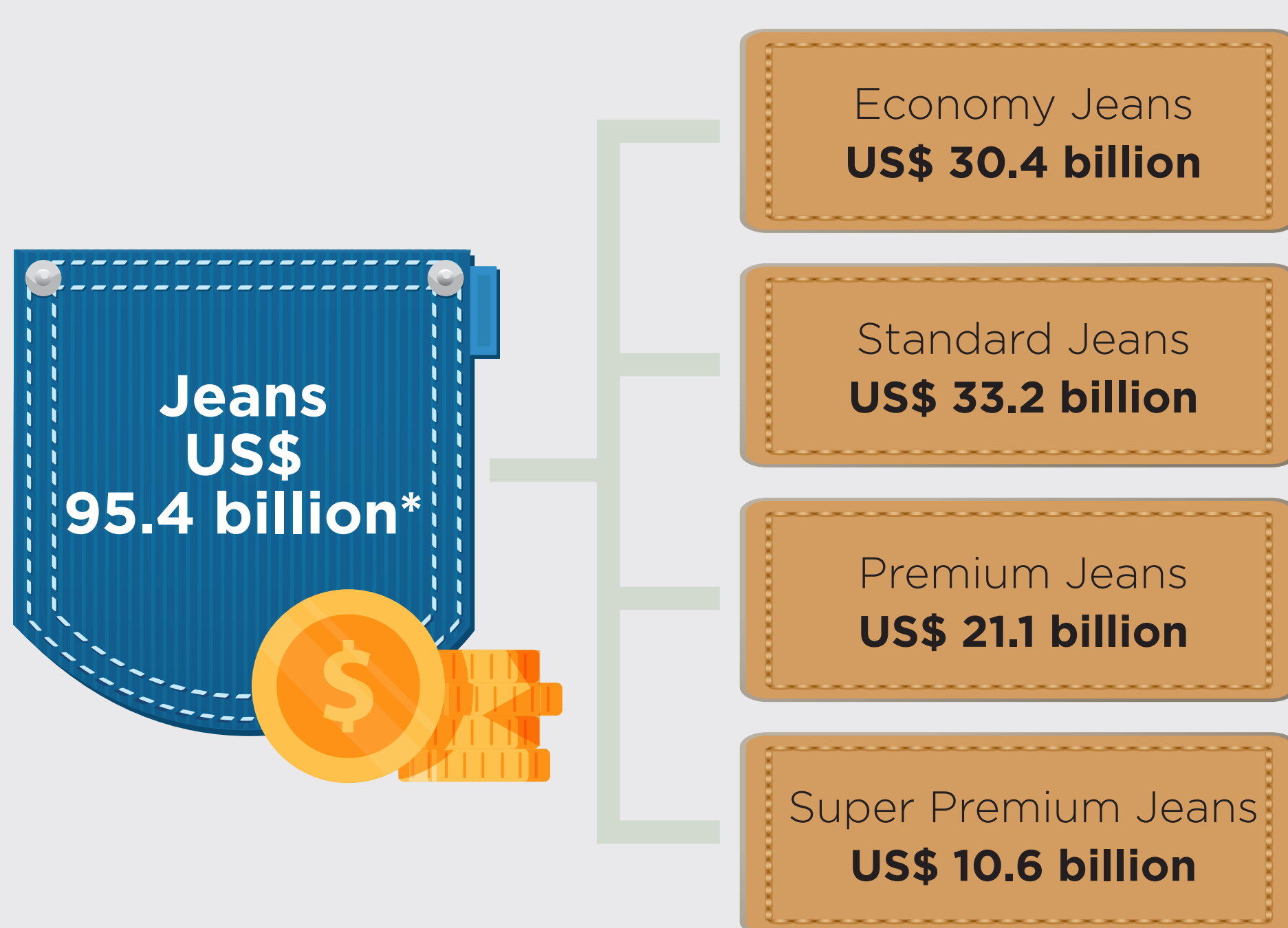


Jeans: a century-old clothing item enters the digital age

HOW BIG IS THE GLOBAL JEANSWEAR MARKET?



These jeans are mainly produced in



China accounts for over

20%

of global jeanswear exports in value, mainly toward the US, Japan and the UK.

Europe and the US are net importers



The US is the largest consumption market for jeans. Global US brands such as Levi's and Lee have jeans produced overseas (Mexico, China, Bangladesh, Pakistan).



Europe imports jeans mostly from Bangladesh, Pakistan and Turkey (China ranks fourth, but far behind). The region also manufactures jeans, mainly for the European Union, Switzerland, Russia and the US.

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CONSUMER TRENDS SHAPE THE JEANSWEAR MARKET

Jeanswear and sportswear are merging

- The jeans market grew +0.2% annually vs +4% for sportswear over the past 5 years
- Today, jeans are bouncing back, offering more comfort (e.g. stretch) and reviving rigid, retro style denim
- Jeanswear will converge with sportswear and grow +1.9% per year over 2017-2022

Customization is driven by consumer desire for individuality

- Millennials are ready to share personal data or pay a premium for tailored offers
- Premium denim retailers offer choice of color, fit, pocket liner, buttons, rivets, thread, metal tags, zippers, etc.

Affordability motivates consumers in developed countries, with local specificities

- Price is more important than brand when buying jeans (Germany)
- Standard and economy jeans dominate (except in Italy)
- Sales of premium jeans are up (except in the US)

Ethical & sustainability purchase criteria are gaining traction

- Some brands try to improve denim production (less water, toxic substances, carbon dioxide emissions, etc.)
- Others explore the circular economy option (use, repair, recycle), as denim is a very durable material
- Customers care about ethical manufacturing but are not willing to pay more for it (unlike customization)

Digitalization: brand interactions increasingly take place online

- Online shoppers like the ability to order anytime, anywhere
- They seek better prices, fast delivery, free shipping, no pain points
- They also expect an omnichannel experience with product visualization, interactivity, 24-7 service, etc.

DIGITALIZATION IS THE KEY TO A MORE SUSTAINABLE SUPPLY CHAIN

Traditional Supply Chain



* All in US dollars, using fixed exchange rate (2017)

Sources: Euromonitor, International Trade Map, ITC, Lectra analysis

Sustainable Supply Chain



Imaging tool: Design denim finishes and then use digital files to quickly translate those designs to bulk manufacturing with automation



Laser technology: Finish the jeans later in the process and dramatically reduce time to market



Closer contact with retailers and vendors: Persuade vendors to improve working conditions to pursue improved productivity for the long-term



Automation: From spinning to laundry through sewing and cutting, more and more stages can be handled by automated machines and robots