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2024 INDUSTRY TRENDS:

APPAREL

The retail industry is a continuously evolving landscape that has changed over the past three years with both a pandemic and increasing cost of goods sold, making it more difficult for companies to predict what customers want or when they want their products. The apparel industry, in particular, has had some of the most significant shifts in what the consumer wants – driven, in part, by economic uncertainty – and has provided great insight into how quickly shopper interests can change.

As the apparel industry changes daily, a few key themes stand out above all others. Sustainability is not just a trend; it's becoming a lifestyle for many customers. People are interested in purchasing eco-friendly apparel – less to feel some sense of personal accomplishment but more to truly help the environment in any way they can. Customers are also looking to change not only how their apparel is made but also the form in which they are buying it. Alternative channels of purchase, such as eCommerce and social platforms, have begun to take over, and shoppers have become increasingly more interested in entirely customizable apparel/shopping experiences.

Even with a few hurdles, such as rising inflation, luxury apparel is also making a resurgence, but this time without the large, flashy logos and vibrant colors. Shoppers are leaning back toward "inconspicuous consumption" and want apparel for its refined elegance rather than its boisterous appearance. As inflation and other economic inefficiencies over the last few years have led to a higher Cost of Goods Sold (CoGS), apparel brands must find innovative solutions to combat potential threats to their business.

In this report, we dive into key 2024 apparel industry trends and their impact on retailers moving forward.

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4. **GROWTH OF THE LUXURY SECTOR**
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1 OPPORTUNITIES IN SUSTAINABILITY

One of the most profound trends in the apparel industry today is the continued emphasis on sustainability, whether in the supply chain or manufacturing. Shoppers still demand sustainable apparel. The "fast fashion" days of yesterday are again being replaced by an influx of shoppers looking to find a more ethical, eco-friendly, and less guilty form of fashion. Sustainability in apparel comes in various styles, whether it’s Adidas’s recycled shoe collaboration with Parley, or the customer choosing to wait a bit longer for their package to arrive if that means reduced emissions.

We know these sustainability initiatives are important to shoppers, with one study stating that 37% of customers would mainly consider a product's environmental impact before purchasing. It’s perhaps even more crucial to note that 73% of Millennials said they prefer to purchase from sustainable brands - a group of shoppers who, combined with Gen Z, currently hold the highest level of buying power out of any group in the US economy.

With this in mind, companies have started considering more efficient and cleaner shipping and packaging methods. We’re also starting to see some impressive commitments to change, like the recent initiative targeting greater supply chain sustainability – the International Maritime Organization (IMO) 2023, which “aims to reduce shipping carbon emissions by 40% by 2030, and 70% by 2050 compared to 2008 levels.”

There are different ways a shipping company can reduce costs. Still, the most common practices begin with slow steaming (the strategic deceleration of a cargo ship to reduce fuel burn rate) and route optimization (finding the route with the clearest weather with the shortest distance traveled). No matter the option, as we look into 2024 and beyond, it will be essential for retailers and suppliers alike to further their sustainable practices within their organization to ensure a longer-lasting, adaptive, and more competitive business model – one that meets both industry and customer expectations for sustainability.

37% of customers would mainly consider a product's environmental impact before purchasing. – SOURCE

2 FULLY CUSTOMIZABLE APPAREL

Fully customizable apparel has been around in the apparel industry for decades; monogrammed shirts, tailored suits, and custom shoes are all examples. We've seen box retailers like Nordstrom capitalize on the upward trend of full customization by including free tailoring with all their pants and shirts upon purchase. While this is a common example of what fully customizable apparel may be, technology takes this to a whole new depth and creates a user experience unparalleled by anything seen in the retail world previously.

Fully customizable apparel has been able to utilize artificial intelligence (AI) to determine what each customer is interested in and directly advertise or sell to the individuals. Customers are more willing to share their info online and utilize platforms such as Google ad services, and one report shows that "83% of consumers are willing to share their data for a more personalized experience."

Subscription-based business models are successfully implementing this capability as well; a shopper can go online, click a few buttons, and have a completely personalized and curated collection of apparel show up at their door as frequently as they would like. Adding a similar business model to any retail business will help add value and diversity, ultimately drawing in new customers, as they will have a more streamlined and personalized shopping experience. This personalized experience can help build brand loyalty, improve customer satisfaction, and ultimately ensure that your shoppers remember your business.

3D printing has also made apparel much more customizable for a reasonable price difference, creating many opportunities for retailers like Adidas to offer customized soles to their customers. One report shows that 3D printing revenues are expected to reach nearly $35 billion by 2028. This means that fully customizable apparel has the potential to be a dominant force in the apparel market over the next several years. As such, companies that can harness the power of 3D printing will create more opportunities and succeed in meeting the growing trend of fully customizable apparel.

80% of customers are more likely to purchase from a brand that offers personalized experiences. – SOURCE

3 ALTERNATIVE SHOPPING EXPERIENCES FOR CUSTOMERS

Alternative channels of purchase describe new ways a customer can purchase their goods, such as thrift shops, social platforms, and other channels not directly from the retailer. While these alternative channels can offer elevated convenience for the shopper, they can also pose a threat to retailers. Customers are finding lower prices on goods – particularly luxury goods or limited goods – in a more convenient manner.

According to Forbes, the reCommerce market was projected to reach $51 billion in 2023. One of the primary reasons this sector of the apparel industry is growing at such a substantial rate is the timing of both Gen Z and later Millennials gaining buying power and a larger share of all purchasing power. Thrifting's original stigma surrounding the purchase of secondhand clothing was broken, and the line between eCommerce and thrifting was blurred with the growing popularity of websites like eBay. Resale, such as thrifting and secondary market selling, is continuously growing and is projected to do so much faster than traditional retail practices. In fact, the global resale market in apparel is "projected to grow 16 times faster than traditional retail clothing by 2026." While this may sound like a cause for alarm, the traditional retail industry is not shrinking; it is still growing.

Nevertheless, it may be important for some retailers to focus on keeping prices fair, increasing sustainability initiatives, and increasing the emphasis on category management, all to stay relevant in an ever-changing apparel industry with no visible end in sight. Retailers can also open secondary purchase channels like used clothing stores focusing on their products to combat these new companies starting.

The global resale market in apparel is projected to grow 16x faster than traditional retail clothing by 2026. – SOURCE

4 GROWTH OF THE LUXURY SECTOR

While the economic uncertainty of 2020-2022 sent anxiety throughout the industry, luxury apparel is coming back stronger than ever, partially thanks to the influx of high-net-worth individuals and their affinity towards luxury goods. The luxury apparel market is expected to grow nearly 25% over the next seven years. While economic variability still creates an opaque view of what the future will hold for luxury brands, specific trends within luxury make a strong case for withstanding the test of time.

A new trend deemed as “Quiet Luxury” focuses on using soft, neutral colors with no visible logos to create a timeless effect. With earlier trends stated an increased focus on the importance of sustainability in apparel and the crowded traditional luxury market, shoppers are also looking for a way to have types of clothing that can be worn regularly without screaming "unsustainable" yet still be considered luxury. Studies regarding quiet luxury show that retailers purchased 22% fewer units of products bearing a logo in 2023. North America is at the upper end of this spectrum, where retailers saw purchase rates of luxury apparel with logos drop above 40%, and EMEA markets saw a 16% decrease.

While most well-known luxury brands are increasing the production of apparel with logos, it’s most important to note that shopper preferences surrounding luxury goods are changing. Not only are shoppers purchasing less “traditional” luxury goods – mainly items that some considered to be large splashy logos – but retailers are also purchasing less of this style as well, ultimately paving way for quiet luxury to take over that share of the market. For retailers, this means it’s essential to evaluate all options when determining a shift in business models.

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5 INFLATION AND HIGHER COST OF GOODS SOLD

As has been common across the previous four trends, the apparel industry has increasingly become less stable. Inflation and higher cost of goods sold remain factors to blame for shifting the apparel industry into a more unpredictable environment. Increased prices, coupled with rising inflation, can cause adverse effects for apparel retailers, such as higher costs of borrowing, which can disrupt planned investments or growth strategies. While this may only seem like a problem for apparel companies, prices will have to be raised to help offset the negative effect of these variables. As U.S. consumers expect to see rising inflation continue to impact their financial situation, there's a chance they'll be less likely to spend money on extraneous goods.

The impact of inflation and fluctuating interest rates is felt most acutely by lower to middle-income segments, exacerbating financial strains and influencing purchasing behaviors. However, despite these economic headwinds, higher-income cohorts exhibit a remarkable resilience in their continued patronage of luxury apparel. Forecasts point towards the luxury apparel market maintaining its allure, buoyed by the steadfast spending habits of affluent shoppers. Nevertheless, in an evolving landscape, luxury brands must note the shifting preferences. This strategic pivot toward "quiet luxury" acknowledges the discerning tastes of high-income clientele, fostering a nuanced approach to luxury retail that resonates in an era shaped by changing consumer dynamics.

LOOKING AHEAD

In the dynamic landscape of the 2024 apparel industry, meeting the needs of shoppers while staying ahead of the competition will be a true balancing act. Sustainability demands eco-conscious materials and practices, while customization beckons brands to craft unique experiences for each consumer. The luxury apparel sector can continue to withstand inflationary pressures, but brands will still need to refine their offerings by listening to the evolving preferences of the “quiet luxury” shopper.

Overall, the trends explored in this report will need to be considered, studied, and incorporated strategically into each company's business model. Retailers will need to consider the importance of sustainability, prioritize technological improvements that can lead to a more customized shopping experience, and continuously monitor economic trends that will ultimately shape how focused brands will need to remain. Clarkston’s team of retail experts is ready to help your organization explore and implement these strategies.

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