2025 APPAREL INDUSTRY TRENDS

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The apparel industry remains marked by uncertainty moving into 2025. With projected year-over-year fashion industry sales growth between 2-4%, the sector aligns with the global GDP growth forecast of 2.9%. However, consumer spending remains cautious amid economic uncertainty, complex geopolitics, and the increasing impact of climate-related disruptions. To thrive in this challenging landscape, successful apparel brands will need a mastery of the evolving regulatory landscape, as well as an investment in resilient supply chains, new digital innovation, strong brand marketing, and strategic partnerships.

We outline 5 key apparel industry trends expected to impact the market in 2025 and beyond.

1. **REGULATORY SCRUTINY REGARDING FAST FASHION**
2. **CONTINUED SUPPLY CHAIN PRESSURES**
3. **DIGITAL INNOVATION**
4. **BRAND IDENTITY MARKETING**
5. **REIMAGINED TRAVEL AND SHOPPING EXPERIENCES**

1 REGULATORY SCRUTINY REGARDING FAST FASHION

The rise of fast fashion giants, like Temu and Shein, coupled with the increasing frequency of climate change related events has put the sustainability practices of fashion brands under greater scrutiny from regulators and consumers alike.

In the last 12 months, 51% of US consumers have shopped for clothing at either Temu or Shein. Temu and Shein are also growing in popularity across the EU and UK, with Generation X and Baby Boomers being disproportionately high consumers. These fast fashion companies are emblematic of some of the fashion industry's worst sustainability issues: subpar manufacturing practices, the widespread use of non-recyclable plastic-based materials, and excessive waste from discarded clothing.

In response to the growing dominance of these fast fashion players, regulators in the US and EU are rolling out legislation aimed at reshaping supply chains and ESG standards within the apparel industry. Currently, 15 pieces of legislation related to fashion and textiles are being discussed in the EU. These regulations will cover a wide range of issues, from textile production to the use of harmful chemicals to material recycling. The first of these legislatures have already been passed, including the EU Corporate Sustainability Due Diligence Directive in July of 2024, which mandates due diligence on operational and supply chain activities to ensure environmental responsibility. While many brands in the past few years have sought to introduce more sustainable measures to their practices, these laws would ensure compliance across the industry. For companies who have been slower to adopt strong sustainable measures, this transition could prove costly.

Lawmakers in the US are currently debating two different amendments to "de minimis" trade laws. As it currently stands, imported goods to the US valued at below $800 can enter the country without tariffs and minimal paperwork. Fast fashion brands like Temu and Shein have capitalized on these laws by shipping directly to consumers individually, ensuring individual shipments are under the cost threshold and therefore avoiding many import taxes and regulatory scrutiny that other US companies face. However, in response to growing criticism that fast fashion giants are exploiting loopholes within the de minimis rule, US policymakers are considering various amendments to the de minimis threshold. Some of the proposed changes include lowering the de minimis threshold so more shipments would be subject to tariffs or including specific countries of origin, like China.

However, many brands beyond fast fashion giants would feel the effects. Ash Jamshidpour, founder and CEO of eCommerce shipping company Shiptop, estimates that roughly 40% of all US imports would be affected. This, in turn, would most likely increase prices for goods across the board. He further outlined how these new regulations will not have the intended consequences, as Temu and Shein both have already employed new techniques in an effort to get around these new regulations. In turn, these would have a disproportionate effect for smaller eCommerce businesses and international businesses using similar strategies.

For apparel brands, adapting to these new regulations should be seen as an opportunity for innovation rather than a threat. Companies that invest upfront in their regulatory departments will be able to anticipate upcoming changes over time, avoiding costly, immediate transitions.

Additionally, there exists room for innovation due to these increasing regulations. One area of innovation within the apparel industry is the rise of rental and subscription-based platforms, like Nuuly and Haverdash. These services allow consumers to rent clothing for special occasions and everyday use, offering exposure to new brands while significantly reducing material waste. By embracing new models such as subscription services, apparel brands can align with evolving customer preferences and sustainability standards, turning regulatory challenges into growth opportunities.

40% of all US imports would be affected [by a change in legislation].

SOURCE

2 CONTINUED SUPPLY CHAIN PRESSURES

Apparel supply chains continue to face significant pressures as the industry remains shaky. The global web of apparel suppliers faced significant challenges as they attempted to navigate through COVID-19, and the industry is likely to feel the bullwhip effects of the volatility of the past few years. Manufacturers and upstream suppliers have disproportionately felt the effects of changes in consumer demand. As demand slowed, there was a sharp decline in factory utilization, resulting in widespread layoffs.

The bullwhip effect began in the apparel industry as companies overordered stock throughout 2021 and 2022 to mitigate COVID-related disruptions. When inflation rose in the second half of 2022, consumers were more cautious about spending than expected, leaving apparel brands with billions of dollars of unsold goods. This, in turn, caused them to cancel upcoming orders for the 2023 season. This pullback disproportionately affected upstream suppliers, with fabric exports dropping nearly 20% in 2022 and yard exports dropping 40% in the first quarter of 2023. Factories that were operating at full capacity in 2021 dropped to 30-40% below capacity in 2023. Textile employment levels have also fallen by tens of thousands across China, India, Bangladesh, Sri Lanka, Cambodia, and Turkey. This has served to aggravate existing humanitarian crises in many countries of origin. China, the world's largest textile producer, has seen increased numbers of worker strikes and protests. The Business and Human Rights Resource Center outlined how workers in Bangladesh are owed back wages across the country, as factories have laid off workers by the thousands. Beyond economic effects, shutting down factories at this capacity could have negative lingering effects like union busting and unfair wages.

Another consequence of the slowdown upstream is a lack of investment in new infrastructure necessary for both speed and sustainability. Most of fashion's greenhouse gas emissions come from upstream activities, but costs are high for updating technology or adopting greener practices. Without steady orders and investments, manufacturers are postponing investing in these practices. However, on the heels of increasing regulatory scrutiny (outlined above), this could prove a costly decision later on for both manufacturers and apparel companies alike.

Layoffs and lack of investments in suppliers may result in negative effects on the apparel industry moving forward. As it currently stands, the apparel supply chain is unprepared to scale up capacity quickly, creating longer production times. As a result, apparel companies might have to incur higher costs to attempt to make up for these delays through expedited shipping or overtime work.

Apparel companies can avoid the bullwhip effect to this degree in the future by making their supply chains more resilient. This begins in part by building a strategic relationship with suppliers through longer contracts. This relationship building could allow joint investment in better infrastructure upfront, thereby avoiding some of the negative effects felt by manufacturers currently. Another resiliency methodology is contingency planning. The pandemic highlighted how ill-equipped the industry was for a supply chain disruption of its size, and contingency joint planning with suppliers at all levels will be crucial moving forward to mitigate major disruptions.

3 DIGITAL INNOVATION

Generative AI (GenAI) is making waves in the apparel industry, but the potential for digital innovation continues to expand. AI is already playing a critical role in data analytics and demand forecasting within the apparel sector. By analyzing vast amounts of data from sources like social media, fashion blogs, and eCommerce platforms, AI can identify emerging trends and inform strategic decision making.

GenAI is also playing a pivotal role in creating seamless, personalized experiences across online and in-store channels for consumers. Many brands are also integrating GenAI into customer service through interactive chatbots, providing quicker support and providing an overall more interactive online shopping experience.

Companies are pushing digital innovation beyond customer service and data analytics, using GenAI to connect with shoppers in new ways. Kering, for example, recently launched “Madeline,” a ChatGPT-powered personal shopper that offers customized luxury shopping experiences across their brands like Gucci and Saint Laurent. Virtual try-on technology is also gaining traction, helping online shoppers visualize how clothing will fit before purchasing. With online apparel return rates as high as 27% (compared to 12% in-store), virtual fitting tools could significantly reduce returns, cutting costs for apparel brands. GenAI can also be used to enhance the online shopping experience by customizing web pages and product descriptions based on user profiles, potentially increasing revenue by 5-15%.

An additional avenue for digital innovation lies within gaming and the metaverse. Tommy Hilfiger recently introduced “Fashionverse,” a platform merging GenAI with mobile gaming, where users can style avatars and participate in fashion challenges. Hilfiger views video games as a future retail frontier, recognizing the appeal of virtual purchases. Similarly, Nike partnered with Roblox in 2021 to create “Nikeland,” a micro-metaverse inspired by Nike’s headquarters. Users can try on virtual clothing, buy NFTs, and design custom Nike accessories – an innovative way to deepen consumer experiences.

While apparel companies are wise to leverage GenAI for data analytics and customer service, companies that continue to invest in digital innovation will be better positioned to harness these technologies and remain competitive in a rapidly evolving market.

4 BRAND IDENTITY MARKETING

After years of focusing on performance marketing, apparel companies are shifting towards brand marketing. Rising performance marketing costs, increased data privacy regulations, and changing consumer behaviors are behind this shift. Today's consumers are "smart" shoppers who consider brand identity and values when making purchases. They seek authentic brands with which they can forge emotional connections, making brand marketing a strategic priority heading into 2025.

Coach's recent rebranding is a prime example of effective brand identity marketing. Once a beloved American luxury staple, Coach saw a decline in popularity in the 2010s as newer brands like Micheal Kors and Kate Spade gained traction. Coach appointed Joshua Schulman as brand president in 2017, and he started on a comprehensive rebranding initiative. Coach's revival involved several brand identity marketing strategies, including a renewed focus on its heritage, strategic collaborations, and celebrity ambassadors. By celebrating its history, for example, Coach was able to tap into consumer nostalgia and reinforce its unique identity. Similarly, brands like Hermès have embraced their legacies to connect with luxury consumers, highlighting the power of heritage as an emotional touchpoint.

Strategic partnerships were another key element in Coach's rebranding strategy. They collaborated with Disney to add fresh, playful aspects to the brand. They also collaborated with emerging designers and artists like Chinese artist Guang Yu, helping Coach reach the Asian market. These partnerships not only worked to increase brand visibility, but they also helped Coach reach diverse audiences. New Balance is another example of a brand excelling at these types of collaborations. They recently partnered with JJJJound, Miu Miu, Joe Freshgoods (JFG), and Aime Leon Dore, which has worked to attract luxury consumers while maintaining their loyal consumer base. In fact, these collaborations contributed to a 13% increase in New Balance sales in the first half of 2024.

Coach also successfully leveraged celebrity ambassadors such as Elle Fanning, Charles Melton, and Storm Reid to connect with shoppers. Celebrity campaigns can create emotional connections that resonate with consumers, as they aid in forming a personal connection with the brand. By choosing popular Gen Z celebrities, Coach was able to further establish their brand story to consumers. That said, many apparel brands are adopting a people-centric branding approach through celebrities and creative directors. Nike campaigns, for instance, have long centered around high-profile athletes, and the 2024 Olympic Games continued this tradition. Other brands are highlighting the creative minds behind the brand, such is the case with Miu Miu's Miuccia Prada and Loewe's Jonathan

Anderson. By highlighting the people behind the designs, these brands are adding a personal touch to their campaigns.

Beyond partnerships and celebrity endorsements, Coach has emphasized its values with initiatives like Coachtopia – a sub-brand dedicated to sustainability that uses scrap leather, recycled materials, and eco-friendly production. Launched in 2023, Coachtopia's first collection sold out in under 48 hours, and their subsequent releases have been equally successful. Gen Z in particular values brands that align with their ethical standards, and they are able to differentiate genuine commitments to sustainability from superficial ones.

These brand-focused strategies have revitalized Coach, with its parent company Tapestry seeing an annual growth of 27.6% over the past 5 years, outperforming the luxury industry's 12.2% growth rate. Coach's transformation highlights the potential impact of brand identity marketing for apparel companies. The shift from short-term campaigns to long-term strategies allows brands to build lasting consumer relationships and stand out in a competitive market.

5 REIMAGINED TRAVEL AND SHOPPING EXPERIENCES

Despite uncertainties in the apparel industry, significant growth opportunities are emerging, particularly in the travel sector. In 2024, travel surpassed pre-pandemic levels for the first time. Travel regularly drives apparel sales, both at destinations and prior to departure, unlocking a wave of opportunities for apparel brands.

As travel picks up, tourists are continuing to frequent common destinations like London, England, and Paris, France. However, they are also becoming more explorative, with increased traffic to less frequented destinations like Mexico, Scotland, and Japan. American travel to Mexico is up 39% in 2024 compared to 2019, and US visitors to Asia increased 33%. Comparatively, the number of US travelers to Europe has seen a far more modest increase of 10%, suggesting that travelers are interested in new locations. Additionally, within Europe, travelers are opting to visit more unusual locations, rather than the typically visited hotspots of London and Paris. Cities like Edinburgh, Scotland, are on the rise, with tourism increasing in 2024 by 14%.

This travel trend opens a sea of opportunities for apparel brands looking to engage with consumers in new locations. For example, Japanese streetwear brand Uniqlo opened its first store in Scotland in June, marking a strategic entry into Edinburgh. Luxury brands are also testing the waters, with Chanel running a pop-up in Edinburgh in March, likely as a precursor for expansion. These moves reflect how apparel companies can capitalize on shifting tourism patterns.

Apparel brands are also exploring partnerships in hospitality and wellness to engage travelers in fresh ways. While pop-up stores are relatively common, brands are now expanding their experiences to include food, nature, and wellness. Forbes has called hotels “fashion’s next frontier,” with brands like Dior, Dolce & Gabbana, and Fendi collaborating with luxury resorts to create unique travel experiences. For instance, Dolce & Gabbana teamed up with Gurney’s Montauk in New York’s luxury destination of the Hamptons. They outfitted the hotels with custom linens in their signature prints and featured a pop-up shop with ready-to-wear exclusives, allowing the guests to shop the brand effortlessly. They even collaborated with the spa, where consumers could receive treatments with the brand’s signature scents. Travelers are willing to allocate nearly half of their travel budget to experiences, and apparel brands are smart to capitalize on their spending.

Travel’s resurgence also influences discretionary spending from consumers. Nearly 30% of travelers report purchasing new clothing for their trips, with resort wear proving to be a key beneficiary. Brands like Australia’s Zimmerman and Brazil’s Farm Rio offer resort ready pieces year-round, and luxury and non-luxury apparel companies would do well to consider expanding their resort collections.

Ultimately, the resurgence of travel presents an exciting area of growth for apparel brands, with opportunities to identify emerging travel hotspots, launch innovative marketing campaigns, and develop creative partnerships.

LOOKING AHEAD

In an environment characterized by economic uncertainty, regulatory pressures, and supply chain vulnerabilities, the apparel industry faced significant challenges in 2024. However, brands that embrace a proactive approach through digital innovation, brand-centric marketing, and strategic partnerships are poised to succeed. By investing in regulatory departments and supply chain resiliency, apparel companies can avoid more turbulence down the line. Furthermore, by increasing digital capacities, crafting a defined brand identity, and adapting to consumer interests in the travel sector, apparel companies can differentiate themselves and capture new growth opportunities.

If you are looking for guidance in the apparel space or want to know more about these emerging trends that will impact the market in 2025 and beyond, let's chat.

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