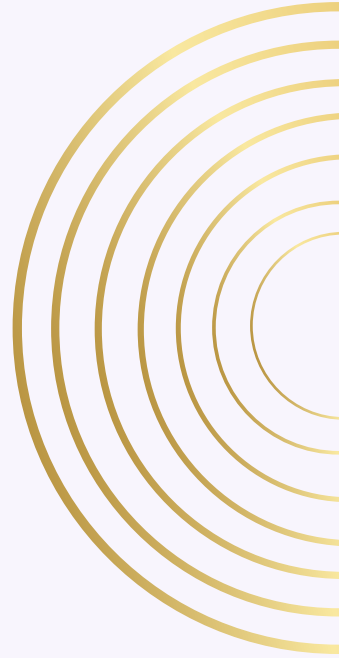


August 2023

MINI INDUSTRY REPORT

Clothing



Presented by
Genesis 7 Consulting





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MARKET OVERVIEW

The COVID-19 pandemic rocked the clothing and apparel industry worldwide with brick-and-mortar shop closures and disruptions to companies' supply chains. One result of this change was the shift of consumers and brands online, further accelerating e-commerce and giving the industry a boost in the years to follow. However, there is still a lingering pessimistic outlook on the industry related to issues such as inflation, supply chain disruptions from climate related events and geopolitical instability. Despite this industry taking a hit worldwide and dealing with current economic uncertainty, it remains a \$1.7 trillion industry that is rapidly changing and rebounding after the pandemic due to changing consumer tastes, awareness of ethical and sustainability issues, and opportunities to leverage new technologies for sales and customer engagement.



MARKET DRIVERS

While in-person clothing shopping has returned, the trend of online purchases and digital brand engagement will only continue to grow and drive industry sales. New technologies, innovations and platforms such as the Metaverse, virtual reality (VR), augmented reality (AR), and new social media apps are improving the online shopping experience and making it easier and more interactive. Direct-to-consumer business models are also on the rise as companies understand how to adopt new apps, online services and technologies that make this model more cost effective.

Among the clothing types and apparel categories filling customers' digital and physical shopping carts, women's clothing remains the dominant segment globally by sales. Athleisure remains the top subcategory of the women's apparel segment. Behind women's clothing, the luxury apparel segment is the fastest growing category in this industry. Consumer demand for exclusivity, prestige, quality, and attention to detail are driving tastes for luxury clothing items. On the other hand, the historically cheaply produced and affordable fast fashion clothing category appears to be slowing down. According to McKinsey, the fast fashion market excluding the luxury sector, "will struggle to deliver significant growth in 2023." McKinsey fashion forecasts analysis signals "relatively slow sales growth of between -2 and +3 percent." There is also a trend toward "seasonless" and "slow" fashion in response to the decline in retail-based fast fashion and traditional season and micro-season based fashion cycles.

It's not just the market for new styles and new items that is driving the industry. The global secondhand apparel market is expected to grow 127% by 2026 by some estimates, or five times faster than the conventional market for apparel. In the aftermath of the pandemic's economic slowdown, more shoppers are citing the need to save money as the top reason why they shop secondhand. Resale brands and online marketplaces are growing in popularity as well, expected to be part of a \$218 billion industry by 2026. According to research from online consignment store thredUP, 75% of consumers believe that vintage and secondhand clothing is more socially acceptable now than it was in previous years as well. Gen Z are among the fastest adopters of this trend, with some studies estimating that as many as 2-out-of-5 clothing purchases from Gen Z consumers are thrift or resale. Thrift shoppers also report making these purchases to be more sustainable in their consumption.

Sustainability itself is one of the major market drivers in the clothing industry. The previously mentioned "slow" fashion movement is part of the broader movement towards more sustainable practices. Consumers and businesses alike have a growing awareness of environmental and social sustainability issues that need to be addressed. Demand for ethically sourced and sustainably produced clothing is on the rise, and is forcing apparel brands to change the way they do business.

FUTURE IMPACTS



Both positive and negative impacts to the industry are expected in coming years. Some surveys indicate that nearly 86% of industry leaders have a pessimistic outlook on market conditions over the next year, with conditions remaining the same or declining. This pessimism relates to recent macro environment issues such as rising inflation, climate change related impact, and geopolitical instability that harms supply chains and costs. According to McKinsey, “85% of surveyed fashion executives cite inflation as one of the key challenges for the industry.” Supply chain issues predated the pandemic and were only magnified and accelerated during this time. Many product shortages are still in effect, and some experts see these product shortages as part of a “new normal”. These issues will continue to loom over the clothing industry and bring uncertainty.

However, there is good news as well. Technological advances will likely have a positive impact on sales and customer engagement. Brands are increasingly focusing on e-commerce and digital channels to reach customers. Advanced data analytics and AI promise better management of supply chains and more personalized and personalized marketing. VR, AR and the Metaverse will expand opportunities for consumers to shop for items digitally in greater detail, and in some cases, actually see themselves wearing their new purchases before they arrive. Brands that embrace these developments will have an advantage.

Conscious consumerism and the sustainability challenge can harm or help brands depending on how they respond. The industry will be forced to address ethical concerns regarding global labor practices and transparency in supply chains. This may come at a cost for brands that have ignored these issues in favor of profits. Consumers and regulators alike will also put pressure on brands to adopt more environmentally friendly practices and reduce their carbon footprint. Companies that begin to prioritize these ethical, environmental and sustainability challenges now will be competitive in the future.



Research
THE DIGITAL CHANNELS THAT REACH MORE CUSTOMERS



Inflation
WILL BE ONE OF THE KEY CHALLENGES FOR THE INDUSTRY



Increase in
TECHNOLOGICAL ADVANCES WILL LEAD TO MORE SALES AND CONSUMER ENGAGEMENT

MARKETING SUGGESTIONS

Get Tech Savvy & Be Social

It should come as no surprise now that having a tech savvy, digital marketing strategy is essential. Understand the user demographics of various social media platforms, and use them to engage with your customers and build brand loyalty. Understand how digital platforms can foster online communities surrounding your brand or products, and embrace those communities to help share why your products are so amazing. Platforms such as TikTok are driving fashion and style trends and “micro trends” among Gen Z and Millennials. In an industry where styles are constantly changing, a social media presence allows you to tap into trends or create new ones altogether. However, a strong digital presence needs to be paired with a sound marketing strategy to compete in this industry. Learn who the top social media influencers and up-and-coming micro-influencers are in your industry. Build authentic relationships with influencers who love your product and can amplify your digital reach. Go online to take advantage of the wealth of open source social media data to make data-driven marketing decisions.

Earn the Trust of Conscious Consumers

Conscious consumerism is growing and consumers are looking to spend their money with brands that do some good in the world. Use your marketing to demonstrate your commitment to ethical labor practices and environmental and social sustainability. Be clear about the ways your product sourcing, manufacturing, distribution, and/or packaging help address the problems that have long been created by the clothing industry. Several organizations have developed new toolkits and calculators for businesses to determine their carbon footprint or investigate their supply chains. If you are new to the movement towards sustainability, be transparent about your brand’s sustainability goals and sustainability impact. Avoid “greenwashing” or “social washing” for the sake of attracting new customers with statements about environmental or social impact. Consumers can easily see through insincere claims (or easily expose them with the wealth of data available online these days).

INCLUDE

the different between
your company and
others

EXPAND

on social media
outreach

OFFER

an inside to your
company

BE

open to be more
tech savvy

USE

TikTok to
increase
exposure

WHAT WE LOVE ABOUT THE INDUSTRY

Genesis 7 Consulting got its start in style consulting before expanding into strategic marketing, so this is an industry that we know well and are excited about. One of the current trends we're loving is the shift to seasonless fashion – apparel pieces that are staples throughout the year and on different occasions. And as always, we love supporting small businesses and our local brands and retailers in this space. [Click here](#) to explore some of our favorite clothing brands, classic styles, and current trends in this industry.



Shani Michelle

Owner & Lead
Consultant



Aaron

Research
Analyst



Nicole

Brand
Manager



Amber

Content Creator
for Austin



Jasmine

Copywriter & Creative
Consultant



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