

Making a Fashion Statement

The Outlook for 2024

FORTUDE

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This paper from Fortude explores the fashion industry landscape for 2024 and highlights three core digital themes shaping its future.

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A Snapshot of the Runway

What trends should fashion executives lookout for?

Change is always in style across the fashion industry. However, when you start to unravel its fabric, there is a lot we can take from the old adage that the more things change, the more they stay the same. When it comes to the dynamics of the industry, fashion has always been about the next big thing and responding to consumer demand. But the blueprint for success remains unchanged. The top priority for fashion business leaders is delivering the latest designs, fresh from the catwalk (or Instagram pages), at precisely the right time, at the right price point.

However, the pace of change, huge variability in supply and demand, and the opportunity

created by digital, are all converging to create new dynamics for the industry. Seasons have gone out of style and in its place are trends that are instantly consumed via Instagram or TikTok before linking to an online shop, which can process an order for next-day delivery. Keeping pace with this expedited consumption and having the flexibility to adapt quickly and in multiple directions, has become key.

The demand shifts and the vastly fluctuating operating costs associated with inflation, converge to create significant uncertainty and poor predictability in many areas, with luxury goods being one of the few micro-verticals immune to the wider market issues.

As they seek out new ways of managing this changing landscape, fashion executives are adapting their processes, practices and business models and evaluating everything from product design, and supply chain strategies, to the fulfilment of aftermarket responsibilities, and managing reputational risk. This paper explores the role of digital as an enabler of necessary change, and highlights three key themes driving transformation.

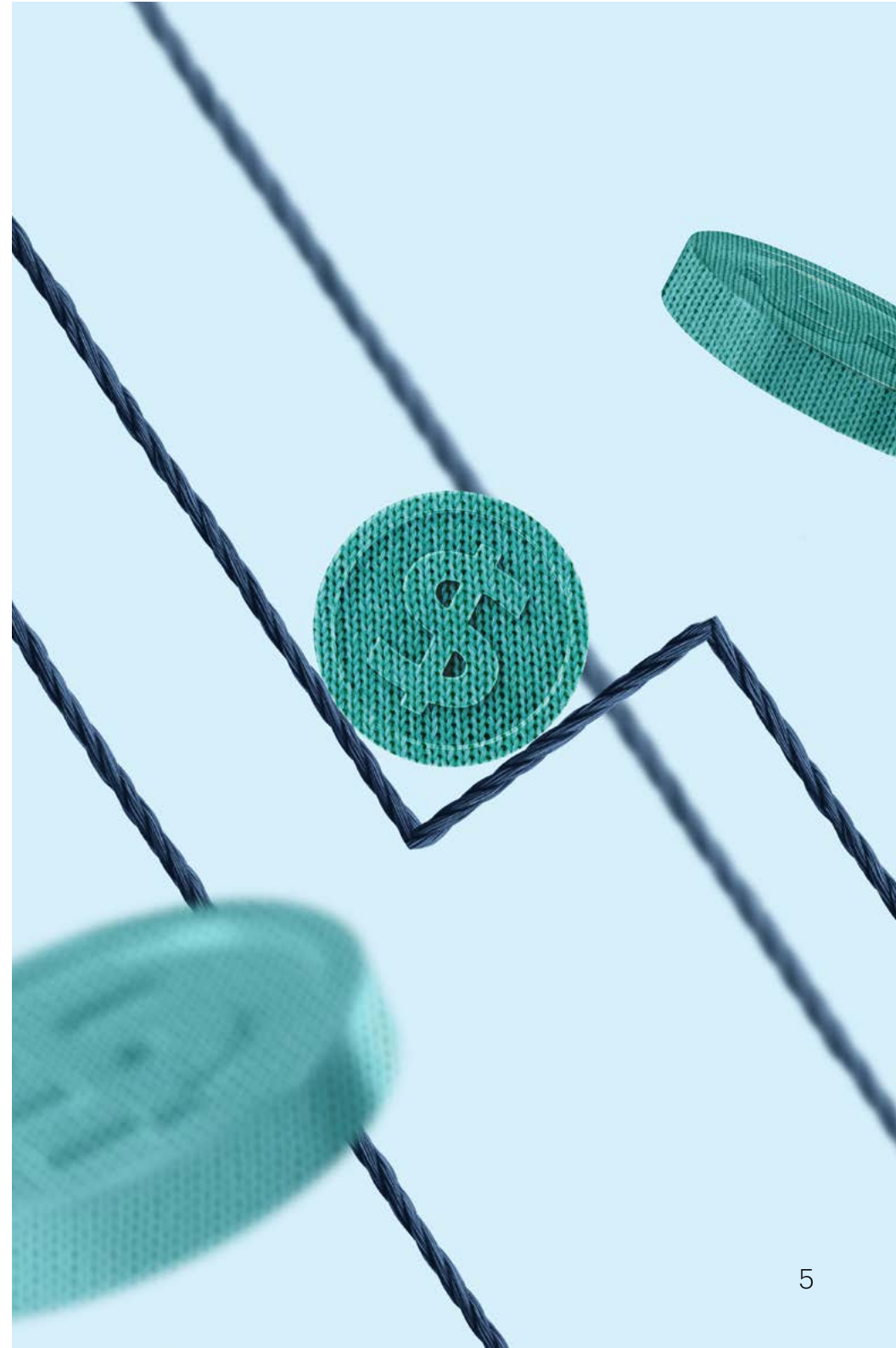


01 Counting Threads

“Inflation remains a predominant concern for all businesses worldwide, with fashion being no exception,” comments Robert McKee, Chief Strategy Officer at Fortude. “This is undoubtedly set to continue throughout 2024. The impact of this is, of course, two-fold. On one hand, squeezed consumer spending means that groceries and energy bills are likely to continue to command a greater share of wallet at the expense of fashion spending. On the other, the cost of raw materials and production processes means that the creation and delivery of competitively priced products is a challenge. When you consider for example that cotton and cashmere prices have increased 45 per cent and 30 per cent year on year respectively, strategies to mitigate additional cost and find savings elsewhere are almost impossible.”

“However, the fashion industry is fairly distinct, in that prices have remained consistent for around 20 years, leaving some margin for flexibility in accommodating increases. Despite this, profit margins remain precarious.”

Transparency and communication around the new dynamics at play are becoming far more valuable currencies than ever before, as consumers demand more and buy on brand transparency and ethics. Whether it is an increase in costs or sustainability credentials, the modern consumer typically wants to know, not just the what, but the how and where of a product before they make any purchase decisions. This inevitably puts pressure on fashion companies to prioritize openness and transparency in their business models.



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02

The Evergreen 'Little Black Dress'

As an industry that is energy-intensive in its production processes, and generates a significant amount of waste, shrinking fashion's carbon footprint continues to be a mandate for being in business in 2024.

However, there is a stark disconnect between fashion suppliers and vendors when it comes to sustainability commitments. Published ahead of COP28 in Dubai which kicked off on 30 November, the UN Fashion Industry Charter for Climate Action reveals that at least 50% of brands and retailers are not engaging suppliers in their green objectives.

Given that fashion industry contributes around 10% of global carbon emissions and produces 1.2 billion tonnes of CO₂ annually,

In addition to increasing regulatory requirements, consumer demand for more environmentally friendly products and

practices is forcing a shift away from the concept of fast fashion into a sustainable and circular-fashion model. This in turn shines a spotlight on the need for insights and agility from which to carve out new business models.

Driving the scale of change necessary means evaluating the entire lifecycle and supply of a garment, not just the areas that command the most headlines.

Take for example, the practice of sample creation. Given that the very purpose of this process is to exemplify a design before disposing of it, applying 3D imaging can eliminate a substantial amount of waste before the production process has even been scheduled. Effective tracking and traceability across all levels and branches of the supply chain is paramount in understanding environmental impact, and the impact every process has on both emissions

and waste.

The only way to truly understand the sustainability credentials of a given garment or item is to measure the environmental impact of every aspect of its lifecycle, in relation to CO2, water consumption, and other indicators.

The fashion supply chain means that this is inevitably complicated and time consuming, requiring unprecedented levels of collaboration to gather, contextualize and leverage relevant data.

“As early as 2026, many products will be equipped with digital product passports containing information on origin, material composition, energy consumption, transport information, climate footprint and more,” highlights Helene Behrenfeldt, Industry Solution Director at Infor. That information will be easily accessible to every consumer via a QR code or radio frequency identification (RFID).”

“However, the information about an individual product is only a small step on the industry’s journey to become more sustainable. It all becomes much more interesting if fashion companies can

help consumers map their purchases, make more informed decisions based on broader purchasing patterns, and shop in an eco-friendlier manner.”

“Another key strategy which is trending when it comes to sustainability is the partner model,” explains Jordana Guimaraes Co-Founder, Fashioninnovation. “Many big brands are linking up with dedicated sustainability apparel start-ups or scale-ups to support circularity, meet demand for a greener proposition which is particularly prevalent in certain segments of the fashion industry, and essentially, doing what fashion does best: creating demand for a new trend.”

“As bigger fashion houses look to support causes in the quest to channel social responsibility and affiliate their brands with more meaningful values, we are seeing more and more adopt similar approaches. While a sustainable fashion industry remains, for the time being, a goal rather than a reality, many are recognizing it as a catalyst for innovation and in doing so promoting positive change.”

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03

A Chain Reaction

The supply chain disruption seen in the wake of the global pandemic is showing few signs of abating, and is instead cementing its position as the new normal for the industry.

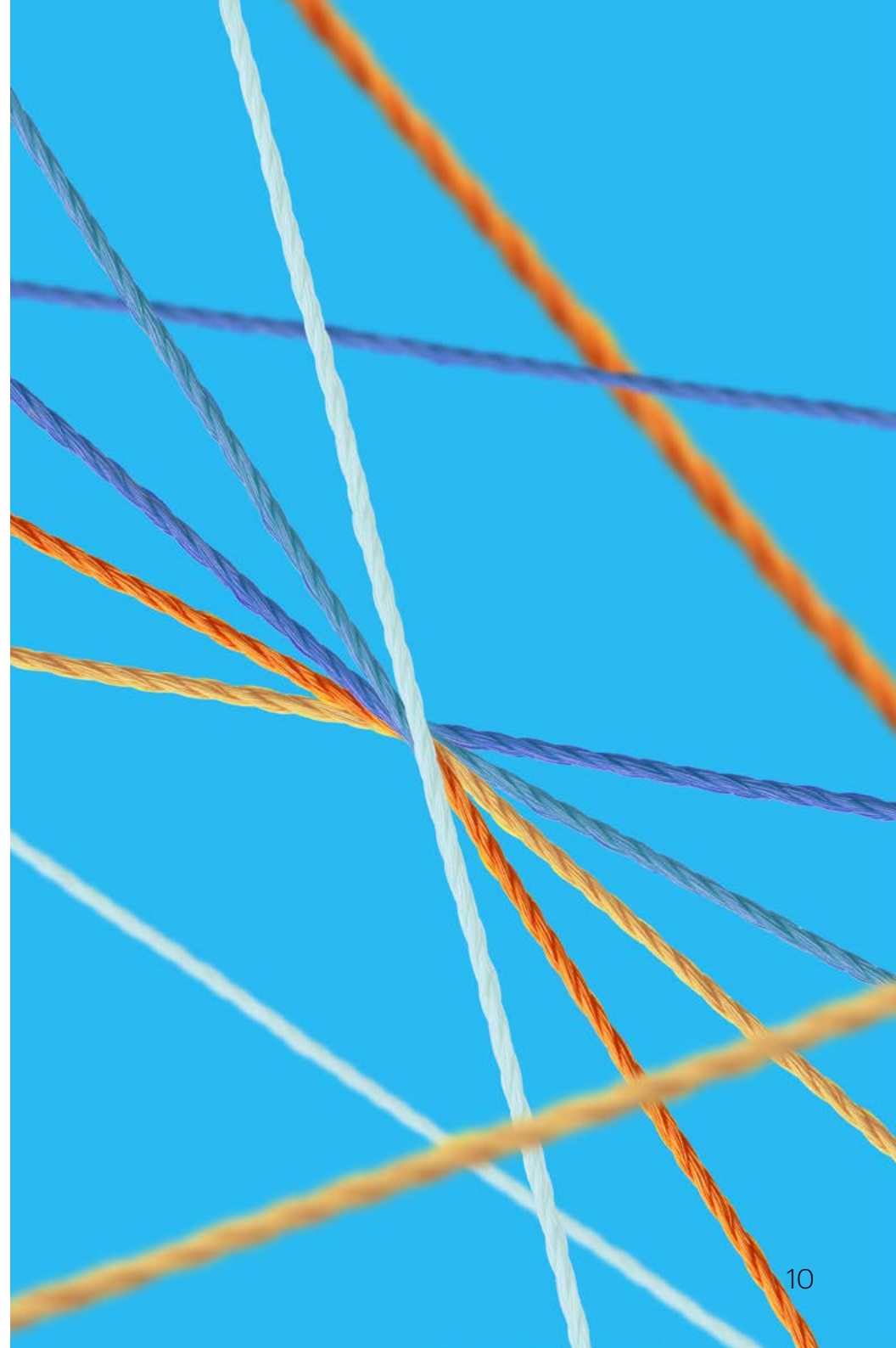
Volatility, uncertainty and change are happening at a pace never seen before, and this trend looks set to accelerate rather than abate.

Macroeconomic forces and geopolitical uncertainty continuously present challenges, whether it's the war in Ukraine impacting disrupting trade routes and triggering a spike in energy prices—which is likely to be sustained for some time;

Covid outbreaks and aftershocks in certain regions; or extreme weather and natural disasters thwarting predictability of supply.

The increased reputational risk as a result of a more vulnerable landscape, means that fashion leaders are having to make decisions on whether to prioritize cost or speed and certainty of supply, finding ways to establish the right balance between the two, as Lynsey Jones, Transition Director at Americas Apparel Producers' Network (AAPN), explains:

“Throughout the globe, for example, there are large capacity openings as a result of canceled orders in light of the recession.



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