

APPAREL AND ACCESSORIES

Optimism falls among US fashion brands as costs climb

July 24, 2019



Fashion companies are facing higher sourcing costs. Image courtesy of Ralph Lauren

By SARAH RAMIREZ

Fashion executives are feeling less optimistic about their industry, as the extended trade war and economic uncertainties continue to impact the sector.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

According to a study from the United States Fashion Industry Association, more brands are turning to free trade agreements as sourcing costs increase. Fashion companies are also interested in creating more "Made in the USA" apparel, but cite disadvantages including high costs and limited skill labor.

The 2019 Fashion Industry Benchmarking Study is based on a survey of 39 executives at U.S. fashion companies, including retailers, brands and importers. About half of the respondents have headquarters or major management offices outside of the U.S., contributing to a global perspective.

Alternative imports

Looking ahead to the next five years in fashion, 64 percent of respondents are "optimistic" or "somewhat optimistic" about their outlooks. Optimism has dropped 20 percentage points from 2018.

The trade war between the U.S. and China is a top concern among fashion executives. In May, U.S. President Donald Trump announced plans to roll out tariffs as high as 25 percent on Chinese imports ([see story](#)).



Tariffs will likely impact American shoppers. Image credit: Bloomingdale's

Tariffs are already having an impact on companies' bottom lines.

More than six in 10 respondents agreed that tariffs against China increased their sourcing costs. Companies are also diversifying their sourcing, with 57 percent currently sourcing from 10 or more countries or regions.

As brands turn to the other countries in Asia as alternatives to China including Bangladesh, Vietnam and India the average price of U.S. apparel imports from these markets has increased at least 20 percent year-over-year.

Even if the trade war drags on, China will likely remain the dominant textile and apparel supplier for the U.S. Companies continue to rely on China because of its speed of market, sourcing cost and product flexibility.

As sourcing costs increase, 43 percent of respondents are looking to free trade agreements and tariff preference programs to reduce expenses. More than 65 percent also support the U.S. Congress to pass the U.S.-Mexico-Canada Free Trade Agreement.

In November 2018, leaders of the United States, Canada and Mexico signed an updated trade agreement to replace the North American Free Trade Agreement. To go into effect, the rebranded and revamped deal needs to gain approval from Congress, but some including the National Retail Federation are already weighing in on the agreement ([see story](#)).

Sustainable sourcing

Sourcing from the U.S. remained steady from 2018, at 43 percent usage. Despite the proximity to market, American-made apparel is still viewed as niche.

Fashion companies interested in sourcing in the U.S. face limited fabric options, skilled labor shortage and high costs. Respondents also acknowledged limited information about U.S.-based textile and apparel mills.

Sustainable sourcing is also becoming more important to U.S. luxury brands as well.

U.S. fashion brand Ralph Lauren is furthering its efforts around global citizenship and sustainability through new standards revealed in its annual report.

By 2025 the company plans to have 100 percent of its material sourcing be sustainable. The strategy also calls for all of the company's energy to come from renewable sources by this year ([see story](#)).

Other luxury brands and retailers have also revealed more stringent sourcing guidelines.

Online retailer Net-A-Porter launched Net Sustain, a new vertical for eco-friendly goods. The retailer reviews standards and certifications such as Global Organic Textiles Standard, EU Ecolabel, Leather Working Group and the World Fair Trade Organization before including brands in Net Sustain.

For instance, "Considered Processes" limit the environmental impact during production and protect the health of workers and wearers, while "Considered Materials" include organic cotton and responsibly-sourced wool and down. "Locally Made" brands manufacture at least 50 percent of their product in their own community or country ([see story](#)).