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Outlook 2021: Concrete shift to sustainable, phygital' fashion

December 23, 2020

Christian Siriano backyard garden show at NYFW. Image credit: Christian Siriano

By NORA HOWE

After a year of uncertainty and a multitude of challenges, the fashion industry looks ahead to 2021 with digitalization, sustainability and localization in mind.

The values and expectations on behalf of brands and consumers have shifted tremendously due to the health precautions, political tension and environmental and social issues presented this year. These events have created a lasting impact on the luxury fashion industry and will continue to shift how fashion weaves itself into the fabric of global culture and commerce.

"This coming year will be driven by storytelling and truly establishing an emotional connection with their audience," said Dalia Strum, founder of RethinkConnect and professor at the Fashion Institute of Technology, New York. "Designers will need to embrace strategies that connect with their audience where they're spending most of their time."

'Phygital' fashion

In response to the COVID-19 pandemic, this year saw a massive shift in how brands approached the live fashion show experience a shift that is expected to continue even in a post-COVID world.

During a panel at Launchmetrics' Performance digital summit on Nov. 5, British Fashion Council CEO Caroline Rush recognized how the fusion of physical and digital events evened the playing field for younger designers at British Fashion Week.

She acknowledged how personal interaction and physical presence plays an important role in garnering trust within the industry, but the digital opportunities give smaller brands a stage (see story).

"2020 proved that creativity can be communicated through a variety of media and formats and actually opened up the possibilities for brands that now feel more confident moving away from live catwalks to shows on screen, like film, video or live streaming," said Thoma Serdari, director of fashion and luxury MBA and professor at NYU Stern. "While traditional fashion shows have been characterized by intense financial activity allowing several collateral

professions to prosper such as make up artists, stage designers/manufacturers, lighting professionals, hotel businesses and transportation, the carbon footprint of hundreds of journalists and celebrities trotting around the globe to attend the shows is immense and needs rethinking."

London Fashion Week will stay digital in February 2021. Image credit: London Fashion Week

Due to the COVID-19 pandemic, fashion brands were forced to think outside of the box in terms of marketing strategies and keeping their consumers engaged with their brands.

In lieu of a physical show, Italian fashion house Gucci showcased its collection and highlighted the work of emerging designers through a digital film festival #GucciFest. From Nov. 16 through Nov. 22, the brand released several short films featuring new designers as well as its own seven-part miniseries (see story).

"Moving forward, brands will have to take a new approach by incorporating experiential moments for their clientele to create impactful experiences that motivate purchase decisions," Ms. Strum said. "They will be more successful by providing a stronger understanding of how their target market prefers to consume content rather than the previous approaches of expecting them to show up for a specific experience.

"Future shows are going to motivate designers to focus on strategies that will make the audience feel like they're receiving the most engaging experience regardless of whether they are in-person or digitally connecting," she said. "The opportunity to connect with people while they're right in front of their computers could create stronger conversion strategies could be impactful to their overall success."

Sustainability

As values among businesses and consumers shifted dramatically due to the effects of the pandemic, responsible fashion accelerated to the forefront of business and marketing strategies.

"Sustainability is becoming a solid marketing pillar in fashion," said Yana Bushmeleva, COO of Fashionbi, Milan. "However, the real change of the supply chain towards a circular economy and sustainability requires significant financial investments in the transparency of the operations."

During a panel at the FT Business of Luxury Summit on Nov. 24 moderated by *Financial Times* fashion editor Lauren Indvik, industry leaders discussed how the luxury sector's impact on the environment is worsening, despite initial efforts on behalf of companies and their supply chains. Panelists examined what true sustainability looks like and how businesses and consumers can work to achieve it.

Panelists encouraged brands and consumers to move away from the vague language surrounding sustainability and actually investigate how companies are trying to reduce impact and find out where those reductions are happening. Instead of labeling everything as sustainable for the sake of credibility, companies should disclose what they are really doing to drive down emissions, water use, chemistry management and increase the livelihood of communities (see story).

"2020 was supposed to be the year that sustainability came to the forefront for many brands, but the challenges of the COVID-19 pandemic pushed other priorities forward and forced fashion brands to innovate their ecommerce fulfillment strategies and supply chains, which was already long overdue," said Ronen Lazar, CEO and cofounder of INTURN, New York. "As we move into 2021, conversations about sustainability are picking up again.

"Brands who aren't making active efforts to reduce emissions or prioritize ethical environment practices may lose favor with consumers," he said.

LVMH's Life 360 addresses four pillars: climate, biodiversity, circularity and transparency. Image credit: Guerlain

Despite a decrease in fashion purchasing during the COVID-19 crisis, consumers realized they could find high-quality exclusive items in a more affordable and sustainable waythrough secondhand shopping.

According to a study by Boston Consulting Group (BCG) sponsored by Vestiaire Collective, the global secondhand market will likely grow 15 to 20 percent over the next five years. The thriving pre-owned market encourages hopes of consumers to own fewer, higher-quality items, to reduce overconsumption and to take better care of what they own (see story)

"The U.S. secondhand clothing market is projected to triple in value over the next 10 years," Mr. Lazar said. "Additionally, the market value for secondhand retail luxury goods reached $2 billion last year.

"Since the consumer demand and profit potential for sustainable products continues to grow, luxury retailers will need to adapt to meet the demand," he said. "Luxury retailers should embrace secondhand fashion while ensuring they are utilizing ecommerce and supply chain visibility to manage excess inventory and prevent waste."

In October, Gucci partnered with resale platform The RealReal to set up an online shop featuring pre-owned Gucci pieces from past collections until the end of 2020, marking a key effort by brand to participate in a circular economy (see story).

Overstock has also become a huge sustainability issue within the industry, especially as many brands continue to face challenges with inventory amid the pandemic.

Brands have moved inventory by selling into off-price or holding onto stock for upcoming seasons, but either strategy puts a strain on supply chains. As consumers become more concerned about brands' sustainability efforts, it is becoming more important for companies to reevaluate inventory strategies going forward (see story).

"In order for luxury brands to mitigate overproduction, they will need to embrace digitization of their supply chains to achieve full visibilityspanning from optimized excess inventory solutions to using advanced data for forecasting volatile demand," Mr. Lazar said. "By taking the advanced technology approach, luxury brands will position themselves to overcome complex excess inventory challenges, and in turn, contribute to environmental sustainability."

Localization

Due to early lockdowns and restrictions to global travel, the push toward spending on domestic luxury accelerated drastically.

The luxury market in China nearly doubled due to local spending and is expected to continue growing through 2025, according to a joint research report by Bain & Company and Tmall Luxury Division.

Looking to the future, Bain and Tmall anticipate a number of trends: brands will spend the next year trying to convince consumers to shop domestically; Gen Z and millennial consumers will continue spending on luxury; consumers will increase their share of online luxury shopping (see story).

"I think that most changes, other than sustainability and transparency, will be observed in two areas specifically: first, in the area of human capital and inclusivity within the field and second, a major force that will shape commerce is regionalization," NYU's Ms. Serdari said. "This means that brands must address local needs of their client segments.

According to a report from McKinsey & Company and Business of Fashion, global luxury sales are still expected to decline by 12 to 17 percent in 2021 compared to 2019, including a 28 percent decline in Europe. Notably, luxury sales

in Europe will likely be among the slowest segments to recover due to drop-offs in tourism as well as shorter production cycles.

Markets that are less dependent on tourists are recovering quicker due to the strength of local shoppers. As a result, luxury brands' investments in establishing physical presences in mainland China are paying off, as the country "returns to normal" quicker than Europe and the U.S (see story).

"These needs or preferences are the result of specific cultural tenets that are part of the social fabric in the places where the brands operate," Ms. Serdari said. "This regionalization is a type of customization that addresses an entire cultural segment rather than a customer segment."