

# New Trends: Looking at the Future of the Fashion and Luxury Industry in the Post-Pandemic World

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## *Abstract*

*Pre-pandemic, the fashion and luxury industry was worth over \$3 trillion. Following a significant overall contraction in 2019–21, 2022 witnessed an industry-wide resurgence, which is now threatened by current and looming geopolitical and economic crises. In that context, this article identifies key trends that are likely to define the industry's future. Foremost amongst them is the increased importance of sustainability, which will also manifest in further emphasis on season-fluid fashion, local markets and production, quality craftsmanship and buying better. Other key trends include an increased focus on experiences, less influencer-driven consumption, and the rise of AI across the industry.*

Despite being derided in some quarters for trading in something supposedly inconsequential, the global fashion and luxury industry is a major economic force. Pre-pandemic, its value was more than \$3 trillion, and its supply and distribution chains crossed the world, acting as significant drivers of economic growth and development.<sup>1</sup> Having grown almost continually in strength since its birth in the 19<sup>th</sup> century, the industry has become increasingly focused on a small number of major conglomerates that have tended to absorb creative upstarts, bringing many different brands under the umbrella of a single firm. The most prominent such examples are LVMH and Kering, with the former home to 75 brands including Louis Vuitton, Christian Dior, and Bulgari, and the latter owning such household names as Gucci and Yves St. Laurent. Other major players at different levels of the industry include multinational corporations like H&M, Zara, and Nike. In such a

## The Future of the Fashion and Luxury Industry

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context, the top twenty largest companies are responsible for over four-fifths of the industry's total profit.<sup>2</sup>

As with almost every other industry, fashion and luxury faced significant challenges during the COVID-19 pandemic period. Restrictions related to the pandemic disrupted supply chains, dampened consumer demand for new clothing and accessories, and forced an increasing reliance on online sales. Overall, the industry's average annual economic profit for the period 2019–21 was down by 18% compared to the years 2010–18.<sup>3</sup> However, the pandemic's sting was felt disproportionately across the industry, with the luxury and affordable luxury sector registering significant increases in economic profit (up 37%) and the value and discount sector recording a very slight rise (up 1%). In stark contrast, the mid-market and premium/bridge sectors registered plummeting profits (down 44% and 57%, respectively).<sup>4</sup>

Nevertheless, as we entered 2022, the global prognosis for the multi-trillion-dollar fashion and luxury industry was positive. Analysts predicted that the end of the COVID-19 pandemic, and the ongoing opening of borders and lifting of lockdown measures, would lead consumers to travel and spend more, helping the industry back toward its pre-pandemic value.<sup>5</sup> The same trend of easing restrictions was also forecast to mitigate the acute challenges that the industry had faced concerning distribution, supplier, and manufacturing networks. To some extent, those predictions were accurate, with the industry experiencing 13% revenue growth in the first half of 2022 as it continued to fulfill its potential as a major international contributor to economic growth.<sup>6</sup>

However, the mood now, in 2023, is more cautious and conservative. In the face of a series of major ongoing geopolitical challenges, including the invasion of Ukraine, the subsequent European energy crisis, rising inflation, and the threat of recession, executives and CEOs are bracing for tough times ahead. Furthermore, both national and international regulatory bodies and individual consumers are increasingly focusing on the fashion and luxury industry's environmental and ethical track records and demanding action to drive improvements. In that context, here are the ten trends that I believe will define the future of the fashion and luxury industry in the post-pandemic world:

1. Sustainability will become integral: Sustainability, a word that has often been used in the fashion and luxury industry for purely marketing and PR purposes, will need to become an integral element of business strategy. With the UN estimating that fashion and luxury contribute 10% of the world's carbon emissions, the industry is facing increased pressure over its environmental record.<sup>7</sup> New regulations, such as the EU's proposed

Ecodesign for Sustainable Products Regulation<sup>8</sup> and New York's Fashion Sustainability and Social Accountability Act,<sup>9</sup> will hold companies accountable and expose those who engage in greenwashing. At the same time, increasingly environmentally conscious consumers are demanding more action from the industry to genuinely address longstanding challenges.<sup>10</sup> To become resilient, fashion brands will need to realize that sustainability is about more than just using alternative materials, being socially responsible, or carbon offsetting. It requires them to do the right thing ethically and create companies that can withstand the economic, social, and geopolitical conditions of our rapidly changing times.

2. The rise of season/trend-fluid fashion: There has been a notable increase in gender-fluid fashion in recent years, but fashion needs to consider season-fluid fashion as well. In the last decade, brands have focused on producing as many collections as possible. This has placed pressure on designers and resulted in significant losses for businesses, as well as negative environmental impacts.<sup>11</sup> In the context of the sustainability challenges outlined above, brands have already started to produce less and focus on classic styles, and I predict a continuing rise in season-fluid fashion, with items that are classic and not driven by trends only.

3. Experience-driven fashion: In recent years, the industry has witnessed a diversification trend away from just retailing products to selling experiences.<sup>12</sup> Top luxury brands, such as Louis Vuitton, Gucci, Prada, and Dior, have been leaders in that field. I predict that future years will see a much greater emphasis placed on experience, not just consumption, and that this trend will extend to small and medium-sized brands that may focus on podcasts or use social media to provide an experience for consumers rather than simply promoting their products.

4. Less influencer-driven consumption: Consumers have become more aware of how the influencer model works and are increasingly skeptical of such campaigns.<sup>13</sup> As a result, luxury and fashion brands are starting to move away from the sort of traditional influencer marketing strategies that have been so prevalent in recent years. Instead of relying on a single influencer to promote their products, brands are exploring other marketing tactics, such as collaborations with micro-influencers or the use of experiential marketing to create a more authentic connection with consumers.

5. Re-emergence of local markets and consumers: The focus on local markets and consumers is driven by geopolitical realities. With increasing

## **The Future of the Fashion and Luxury Industry**

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global uncertainty and instability,<sup>14</sup> brands are seeking to diversify their customer bases and reduce their reliance on any single market. This may involve expanding into new regions or prioritizing the development of existing local markets.

6. The importance of quality: In the past, many fashion and luxury brands have prioritized quantity over quality, leading to an excess of poorly made, short-lived products. However, there is a growing recognition that true sustainability requires a focus on quality and longevity. By producing fewer, higher-quality items, brands can reduce their environmental impact, improve customer satisfaction, and build long-term business resilience.<sup>15</sup>

7. Buying better, consuming, and producing less: Closely related to the point above about brands focusing more on quality, there has been a shift in the consumer mindset toward buying better and consuming less. Consequently, consumers are becoming more selective in their purchases and are seeking out brands that align with their values and offer long-lasting, high-quality products.<sup>16</sup> This trend is driving a shift toward a more circular economy, in which products are designed to be used, repaired, and reused rather than quickly discarded.

8. The use of AI in manufacturing: Artificial intelligence is being increasingly used in manufacturing to optimize production and minimize waste. By analyzing data and predicting demand, AI can help brands produce the right products in the right quantities, thus reducing excess inventory and lowering the environmental impact of production.<sup>17</sup>

9. An increase in local production: Another key emerging trend is the shift toward local production, as brands seek to reduce a risky overreliance on global supply chains and improve their responsiveness to local market needs. Local production can also reduce transportation costs and environmental impacts while providing economic benefits to local communities.<sup>18</sup>

10. The importance of craft: In an era of mass production, there is a growing appreciation of craftsmanship and the traditional skills used to create handmade products.<sup>19</sup> This trend is reflected in the popularity of mending, repairing, and related practices that prioritize the longevity of products. Brands that highlight the craftsmanship behind their products may be able to differentiate themselves in a crowded market and connect with consumers who value authenticity and attention to detail.

Predicting the future may be a risky business in such a volatile, uncertain, complex, and ambiguous environment. But one thing that seems certain is that it will be the companies who react to that environment in a responsive and proactive way that will be best able to weather future storms. Such responses are likely to involve adopting new technologies, building more sustainable and resilient supply chains, and staying attuned to the evolving needs and preferences of consumers. This is truly a period of adapt or die, and we will see many companies dissolving if they are not able to make the necessary changes, rapidly.

Given the challenging nature of the environment described above, I also predict further fundamental changes in the structure of the fashion industry as the established trend of mergers and acquisitions seems set to gather even more pace in the years to come. This trend is likely to manifest in more and more established luxury brands buying smaller, independent brands, their suppliers, and subcontractors. I also see more investment and collaboration in sustainable/alternative material companies, in response to the ever-increasing emphasis on sustainability throughout the industry.

Another response to challenges concerning sustainability and the volatile geopolitical environment may see companies restructuring their supplier relationships and value chains. That could involve building more sustainable and resilient supply chains, incorporating more local or small-scale suppliers, or adopting circular fashion models that aim to reduce waste and extend the lifecycle of products. Companies may also need to consider the social and ethical impacts of their supply chains, such as working conditions, labor practices, and human rights. Restructuring supplier relationships and value chains can be complex and challenging, but it may be necessary for companies to remain competitive and meet the evolving expectations of consumers.

Finally, consumers will continue to be a key factor shaping the fashion and luxury industry in 2023. As mentioned earlier, consumers are becoming more environmentally and socially conscious, and are demanding more sustainable and ethical fashion options. In response, companies may need to adapt their products, business models, and marketing strategies in order to meet these changing preferences. Consumer segments that are particularly focused on sustainability, such as younger or more affluent consumers, may be especially important for fashion merchandisers to cater to. At the same time, other factors such as cost, convenience, and personalization may also be important to consumers and could shape their purchasing decisions.

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## The Future of the Fashion and Luxury Industry

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