

Making a Fashion Statement

The Outlook for 2024

FORTUDE

In collaboration with
FASHINNOVATION

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AMERICAS APPAREL PRODUCERS' NETWORK



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.

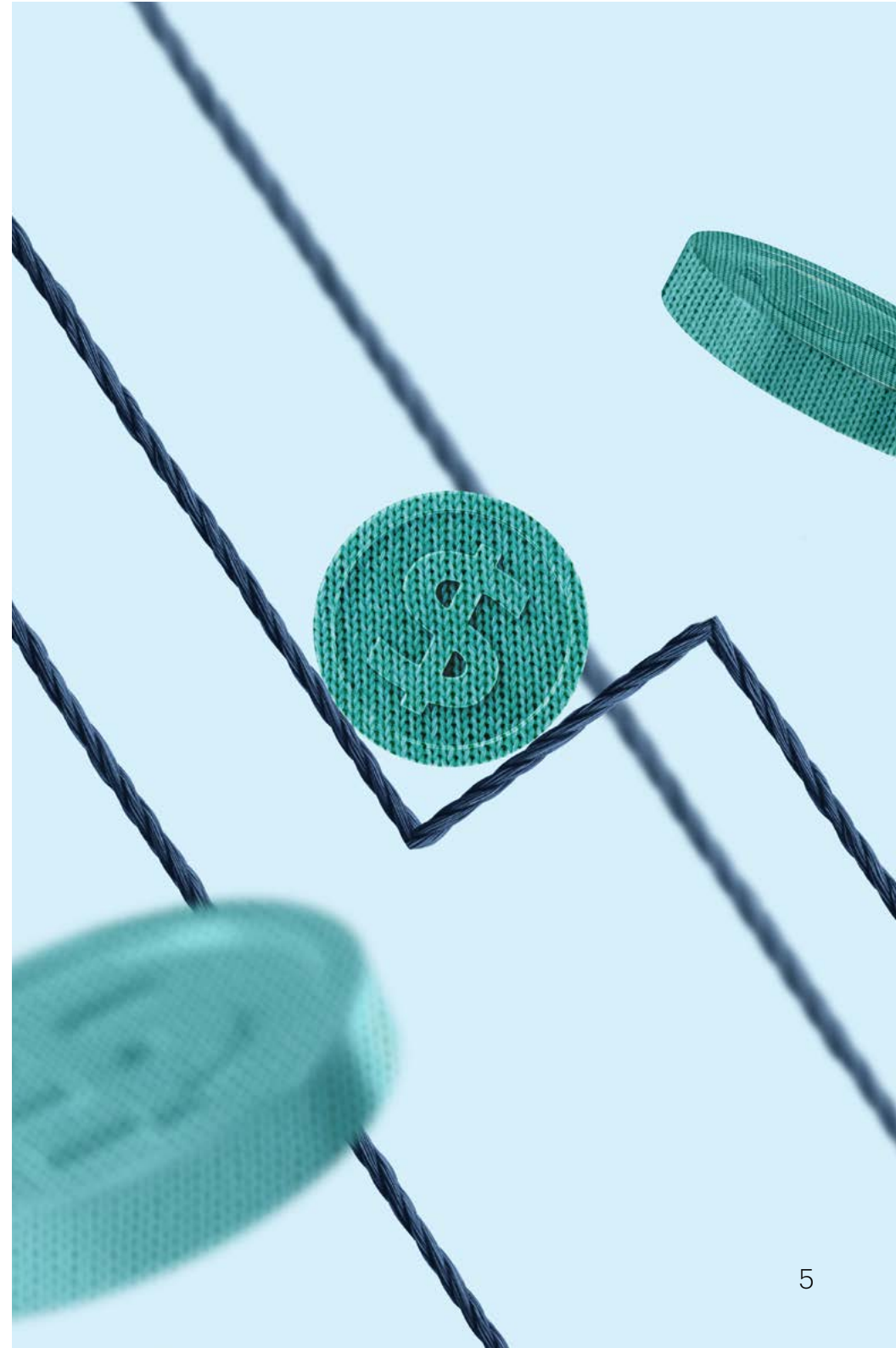


01 Counting Threads

“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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Chief Strategy Officer, Fortude

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.

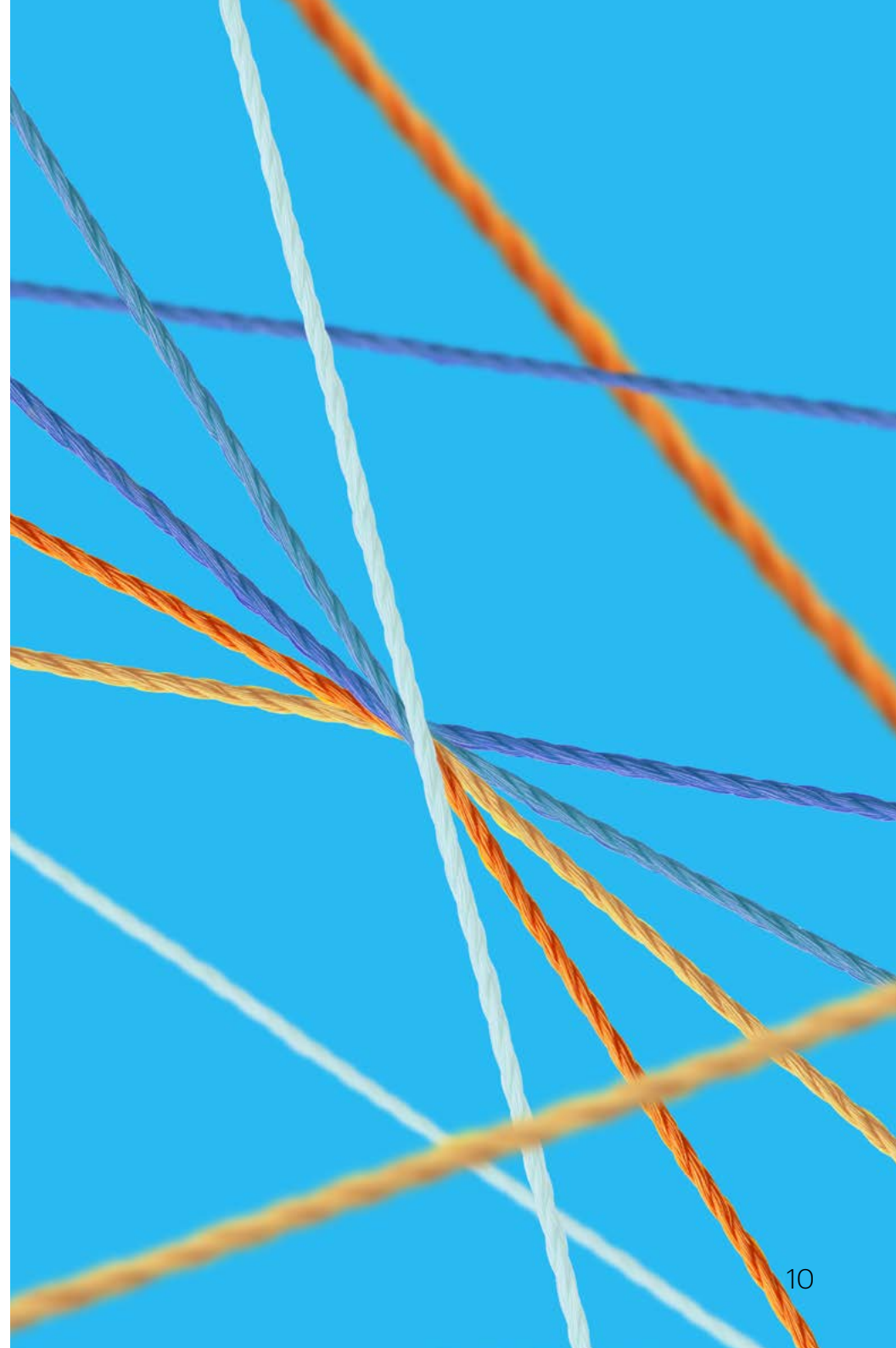
Volatility, uncertainty and change are happening at a pace never seen before, and this trend looks set to accelerate rather than abate.

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.





This in turn is driving down pricing and offsetting the impact of inflation. Of course, savvy buyers are looking at the inevitable uplift once this capacity is filled and normal dynamics return, especially in the West, as more companies take advantage of speed. We do believe the first half of 2024 is set to see this continue. The East however, having enjoyed a boom in the decade prior to Covid, has an abundance of inventory as a result of having orders halted throughout the pandemic, therefore prices can be lower just to fill open capacity, bucking the inflation trend. Yet, the supply chain complexity and disruption arguably remain amplified, with logistics still varied and uncertain.”

“The task of rebalancing of the supply chain is made harder for the fact that it’s incredibly difficult to know your entire supply chain. Any supply chain is only as good as the information available from suppliers on the source of all products. However currently, large gaps prevail, mainly as a result of

legacy systems, ineffective processes and varied labor skills.”

Having the visibility, understanding the risks and instilling watertight traceability from farm to fitting, across what is typically four tiers of supply, and encompasses many parties, for the reasons outlined here, is an absolute mammoth task, but one which, in 2024, will become increasingly linked to successful performance. What is abundantly clear, is that this feat is only possible with the right digital strategy in place.

Infor’s Ana Friedlander, Director of Industry Solution Strategy for Fashion & Retail highlights the importance of the transparent Supply Chain in light of these challenges. “The use of blockchain technology is already changing the apparel industry and offering new ways of implementing transparency in a supply chain. This can be used to efficiently trace and keep records of clothing and apparel supply chains through technologies utilizing PLM, and track and trace, and inventory management.”

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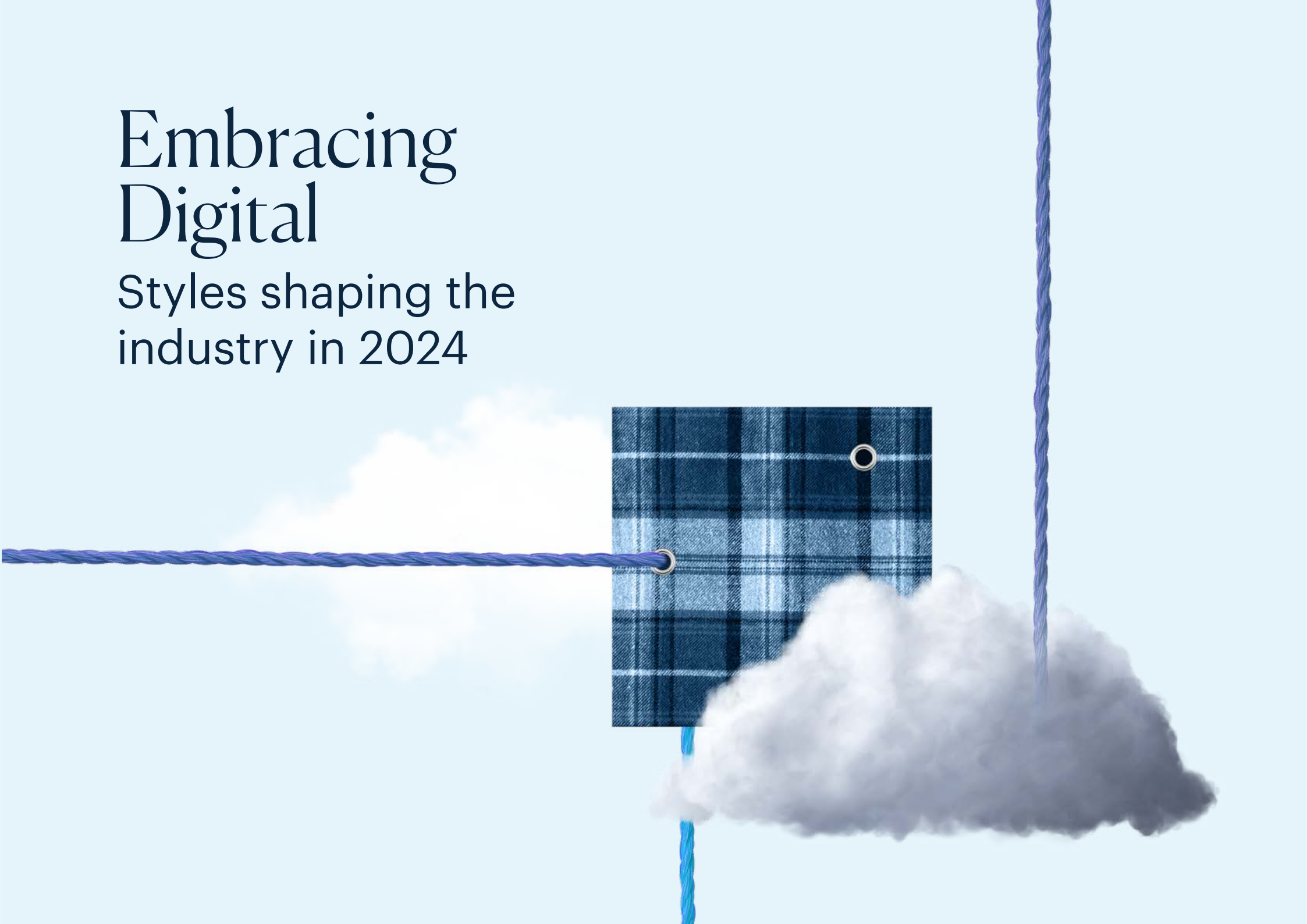
Lynsey Jones

Transition Director, Americas Apparel Producers' Network



Embracing Digital

Styles shaping the
industry in 2024



A not-so-fluffy cloud formation

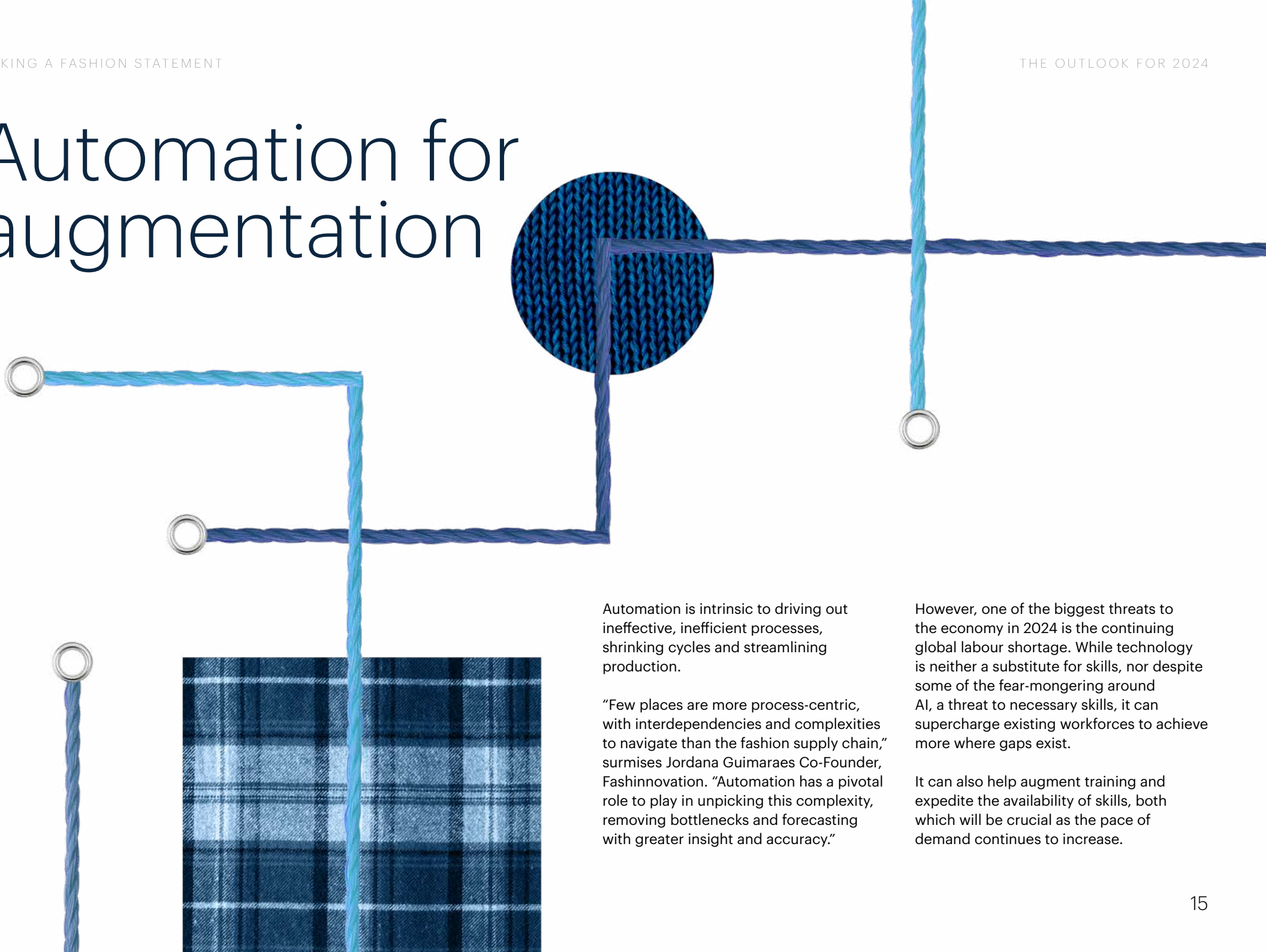
It is impossible to run the kind of systems necessary to manage data on this scale from local data centers. The Cloud provides scale, flexibility, predictability, reduced risk, and ease of use necessary to support complex and changing ecosystems. In line with this recognition, adoption rates have soared. If 2023 was the year of the Cloud, 2024 will be the year we see Cloud become a de facto model rather than a decision.

As Katia Berlin, Vice President, Strategy and Business Transformation at luxury goods wholesaler and retailer, APP Group remarks: "Covid shone a spotlight on the fact that Cloud is the future, and represented a catalyst for change to a better, more robust and scalable model. Our move to Infor CloudSuite Fashion was very much a wider business decision, not an IT one, and forms part of our drive to instill a new digital-led culture across the business."

For example, understanding resource usage across all elements of the supply chain is impossible when you don't have the means to connect, collaborate and converge with data to make decisions. A Cloud-based ERP system represents the fabric and foundation from which businesses can ensure scalability, connectivity, and agility. This, in turn, can help them achieve the breadth and depth of visibility they require.

Integration has also moved to a similar level of maturity, with APIs allowing easy connectivity with third party systems to drive the transparency, visibility and traceability needed to understand the entire garment lifecycle and supply chain. Infor's Ana Friedlander highlights the point: "With modern technology there will always be a way through the Cloud – it can help you to innovate, create that unique experience that will put you in the lead, while making sure you are compliant to ongoing and upcoming market regulations."

Automation for augmentation



Automation is intrinsic to driving out ineffective, inefficient processes, shrinking cycles and streamlining production.

“Few places are more process-centric, with interdependencies and complexities to navigate than the fashion supply chain,” surmises Jordana Guimaraes Co-Founder, Fashionnovation. “Automation has a pivotal role to play in unpicking this complexity, removing bottlenecks and forecasting with greater insight and accuracy.”

However, one of the biggest threats to the economy in 2024 is the continuing global labour shortage. While technology is neither a substitute for skills, nor despite some of the fear-mongering around AI, a threat to necessary skills, it can supercharge existing workforces to achieve more where gaps exist.

It can also help augment training and expedite the availability of skills, both which will be crucial as the pace of demand continues to increase.

Creating the right pattern for performance

“When it comes to AI, there is a lot of potential,” according to Gaurika Wijeratne, Vice President, Data & AI at Fortude. “Data Maturity typically depends on the size of the company, with larger organizations running ERP systems and some data warehousing and Business Intelligence (BI) elements being more predisposed to adopting AI capabilities. However, organizations that are in the early stages of their data journey should focus more on creating the right data infrastructure, whilst not neglecting AI use cases which can bring value in the short run.”

“2024 will see far greater activity around securing the right digital foundation from which to explore and build AI-focused initiatives. Without the right data and the right context, AI is difficult to fully capitalize on, therefore it’s unlikely that we will see this take center stage in the next 12 months, rather side stage, pending the

strategic shift towards data-centric AI.” Jordana Guimaraes, Co-Founder, Fashinnovation, notes “AI is without doubt moving from a concept on the periphery, to more developed, informed conversations, particularly around customer-centricity. Its value in expediting areas such as e-commerce, personalization and merchandising is becoming more and more recognized.”

Infor’s Ana Friedlander adds, “The rise of AI and ML utilization in companies is currently playing a pivotal role. At the moment, it is impossible to head to a fashion brand website and not find a form of AI technology that’s being used to enhance the customer experience. The technology behind this AI includes algorithms set to match the user with the right products. Collecting data and data analytics, is becoming more common but nonetheless many companies have only chipped the

top of the iceberg to understand the potential of big data and how to use it to help their business grow.”

BI is bringing much more to the table currently, providing a means of refining and supporting strategy. When it comes to sustainability for example, environmental goals are sometimes married to financial goals, while sometimes being at odds. Reducing waste in the production process is of course a win-win, however the responsible disposal of garments at the end of their lifecycle is a clear cost. Therefore, these must be managed appropriately and in the context of one another to move to a greener business model while parallelly, protecting the bottom line.

A need to analyze big data not just from within the organization, but from across the entire supply chain, means having

the computing power to analyze and contextualize large swathes of data.

While still in their relative infancy, and unlikely to become commonplace until 2026, digital product passports, which leverage blockchain for end-to-end traceability of a garment, allow full tracking. This enables companies to record, share and utilize information on the entire lifecycle of a product, from design and production to end of life disposal. The type of information spans all four tiers and has the granularity to be able to look at, for example, the origins of natural materials farmed, such as cotton, manufacturing processes, and transportation, as well as aftermarket activities such as returns, repairs, or recalls. In order to manage all of this data within a single passport, a digital strategy with Cloud, data analytics and intelligence, and automation as the core pillars is paramount.



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Gaurika Wijeratne

Vice President, Data & AI, Fortude

Fashion forward



2024 will undoubtedly see the role of data and digital take center stage, providing opportunities for fashion executives to design new business models built upon the core principles of resilience, flexibility, and agility, and the ability to pivot and adapt to the incessant change being faced by the industry from a multi-faceted landscape.

A more sustainable fashion industry built upon the principles of new revenue streams is there for the taking. The industry needs to rethink its processes, refocus the way in which it delivers its products, and leverage digital to modernize and maintain relevancy with consumer demand, regulatory frameworks, and the drive to net zero.

As Cloud moves closer to full maturity, automation steps up a gear, and business intelligence and AI become the de facto antenna for optimizing business decisions, strategy, and performance, digital will represent the difference between success

and failure in 2024 and beyond. The time really is now. Those who hold back will quickly find their relevance diminished, while the pioneers in the industry will undoubtedly be the market leaders as they move forward into 2025.

There's no denying or softening the fact that the economic landscape is tough. Fashion executives have to be tougher, commit to the right digital strategy, and embrace, rather than fear, these new dynamics. Investing in the right digital strategy, which can deliver the intelligence collaboratively is crucial. Ultimately, whether it's inflation, sustainability, recession as part of an adverse economic landscape, or more buoyant times, there is absolutely no doubt that digital is the bedrock of fashion in 2024. Those who recognize this and embrace strategies which put intelligence at the core, will ensure sufficient resilience to weather the increasingly regular storms facing the economy, and become the market leaders of tomorrow.

FORTUDE

Fortude is a leading global enterprise and digital technology solutions company, delivering solutions that matter to customers around the world.

Our teams are based out of offices in the US, Canada, UK, Sri Lanka, India, and Australia, and have experience in implementing projects across multiple locations and continents. We are also a partner to some of the world's largest technology, cloud, and automation software solution providers including Infor, Microsoft and UiPath.

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