

Consumer Packaged Goods Practice

Five charts that set the tone as New York Fashion Week 2021 kicks off

As New York Fashion Week kicks off a new season of fashion weeks around the globe, these are the five themes to watch.

by Achim Berg



Everything looks different this year, and the fashion industry—which posted record-low profits in 2020—is no exception. Given the extreme jeopardy the industry has faced, there is no simple, standardized playbook for the coming year. Instead, fashion companies must tailor their strategies to fit their individual priorities, market exposure, and capabilities. What is clear is that the COVID-19 pandemic accelerated numerous industry trends, including a dip in demand, a substantial shift to digital shopping, a renewed consumer focus on social justice and fair treatment of garment workers, a diminished ability to rely on a buoyant travel and tourism sector to boost demand for fashion, and a need to adjust to consumers’ new “less is more” mindset. As fashion leaders work to move through and beyond the pandemic, the most successful will be those who can get a grasp on these trends, presented in this curated collection of data visualizations from our 2021 State of Fashion report, produced in collaboration with The Business of Fashion.

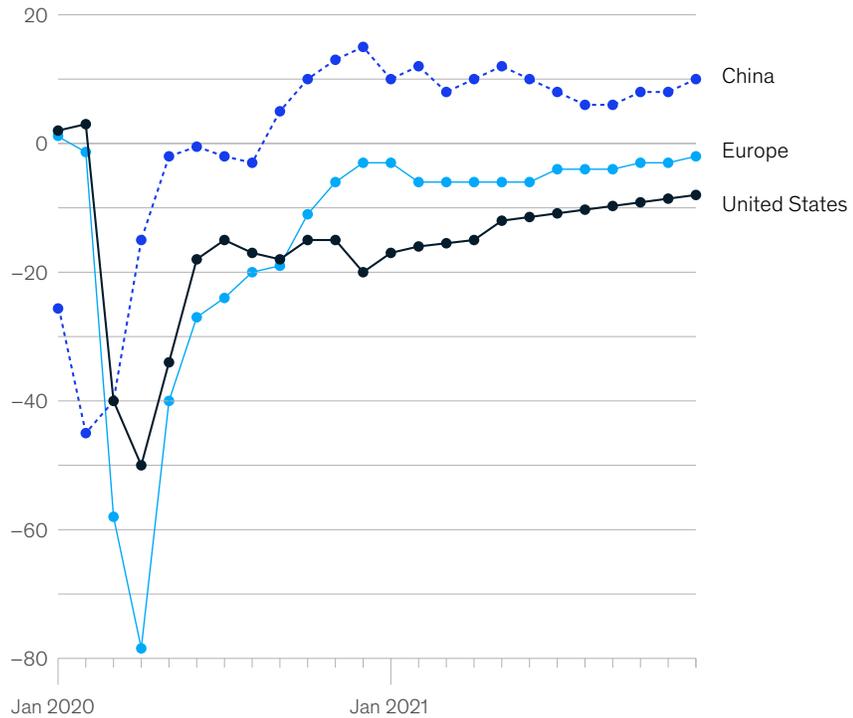
Diminished demand

Demand for fashion plummeted during the 2020 global lockdowns. Formalwear, which had already been declining, saw even steeper drops in sales—and suit sales declined as more people worked from home and stopped going to events. A lackluster economy, restrained spending power, unemployment, and rising inequality are likely to prevent demand for fashion from returning to prepandemic levels this year. But under a more optimistic economic-recovery scenario, China's

2021 fashion sales could surpass those of 2019, Europe could come close to even with 2019 (down 2 to 7 percent), and the United States could lag a little more (down 7 to 12 percent). Companies should seize new opportunities, and also double down on outperforming categories, channels, and territories. Some possible bright spots to watch: the luxury segment in China, athleisure and activewear (based on continued consumer interest in health and wellness), and casualwear as people continue to work from home.

Exhibit 1

Expected fashion sales in early recovery scenario, index (2019 = 0)



Note: Scenarios intended to provide insight based on currently available information for consideration and not specific advice. Source: McKinsey Fashion Scenarios

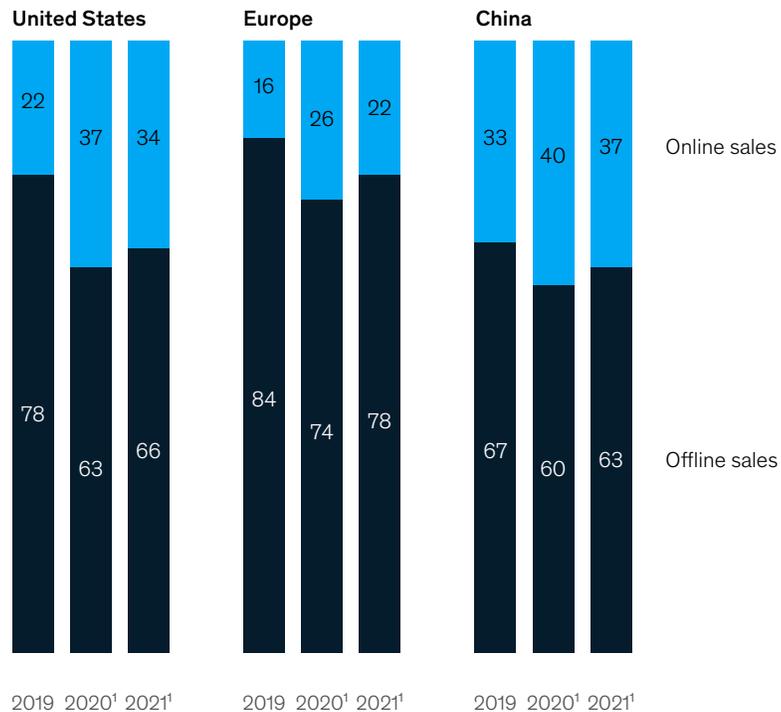
Digital sprint

With the global pandemic keeping people at home, 2020 may be remembered as the year when fashion retail definitively shifted online. As brands embraced livestreaming, virtual customer service, and social shopping, digital adoption soared. Years of progress were achieved within months. Offline retail may regain some of its market share this year, but online sales should remain high. And shoppers will demand

ever-more sophisticated digital interactions. This will be the year for fashion players to embrace and optimize the online experience and channel mix, while finding ways to integrate an authentic human touch. “Retail isn’t dead, but boring retail is dead,” said one executive we spoke with. Look for more livestreaming, virtual branded apparel for avatars, and collaborations between fashion companies and video games.

Exhibit 2

Fashion sales in early recovery scenario, by channel type, % share



Note: Scenarios intended to provide insight based on currently available information for consideration and not specific advice.

¹Estimated.

Source: McKinsey analysis

Social justice

The conversation about sustainable fashion is now building beyond the industry's impact on the environment—social justice and human rights issues are gaining a higher share of voice. With garment workers, sales assistants, and other low-paid workers at the sharp end of the COVID-19 crisis, consumers are becoming more aware of just how vulnerable employees in the fashion value chain are. And about two-thirds of consumers told us they'd stop or significantly reduce shopping at a brand if it wasn't treating its— or its suppliers—employees fairly. While it's not yet

clear whether such attitudes will translate into tangible changes in purchase behavior, some signs are beginning to emerge. One example was the participation of thousands of consumers worldwide in the #PayUp campaign—calling out brands that didn't commit to pay vulnerable workers during the crisis for work they had already done. Social media and the rise of Gen Z as consumers are likely to make this a longer-term trend. So now's the time for authenticity and action—brands need to meaningfully engage with trade unions, workers, nonprofits, and workers' rights watchdogs.

Exhibit 3

How much would consumers change their shopping behavior if a brand they frequent is not treating its or its supplier's employees fairly and safely, %



Source: McKinsey Fashion Scenarios: Consumer Survey in Germany, UK, and Spain, August 2020

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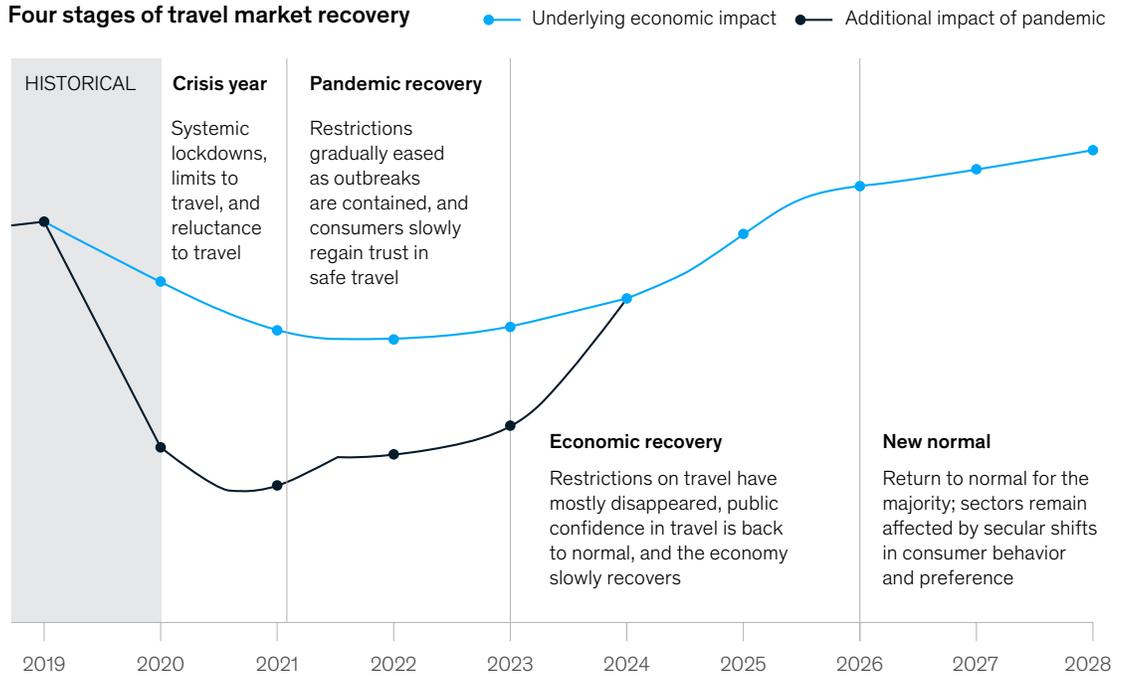
Travel interrupted

From travel retail to destination shopping, the fashion industry has much to gain from global tourism—and had benefited from the latter’s strong growth for a decade. But then the pandemic hit, international travel slowed substantially, and retailers in major shopping hubs have been seeing significant losses ever since. Scenario modeling by McKinsey and Oxford Economics suggests that from 2021 on, the travel industry will go through three postcrisis stages: pandemic recovery,

economic recovery, and a new normal—with the recovery’s timing and pace varying across regions. International tourism may not return to prepandemic levels before 2023 or 2024. That means fashion companies should be focusing on better engagement with local customers and strategic—but not hasty—investments in faster-recovering markets such as China. Executives should also start planning for a post-COVID-19 world by ensuring they’ll be able to capitalize on the excitement that’s unleashed when the pandemic is over.

Exhibit 4

Four stages of travel market recovery



Source: McKinsey Tourism Recovery Model, McKinsey Travel Logistics and Infrastructure Practice

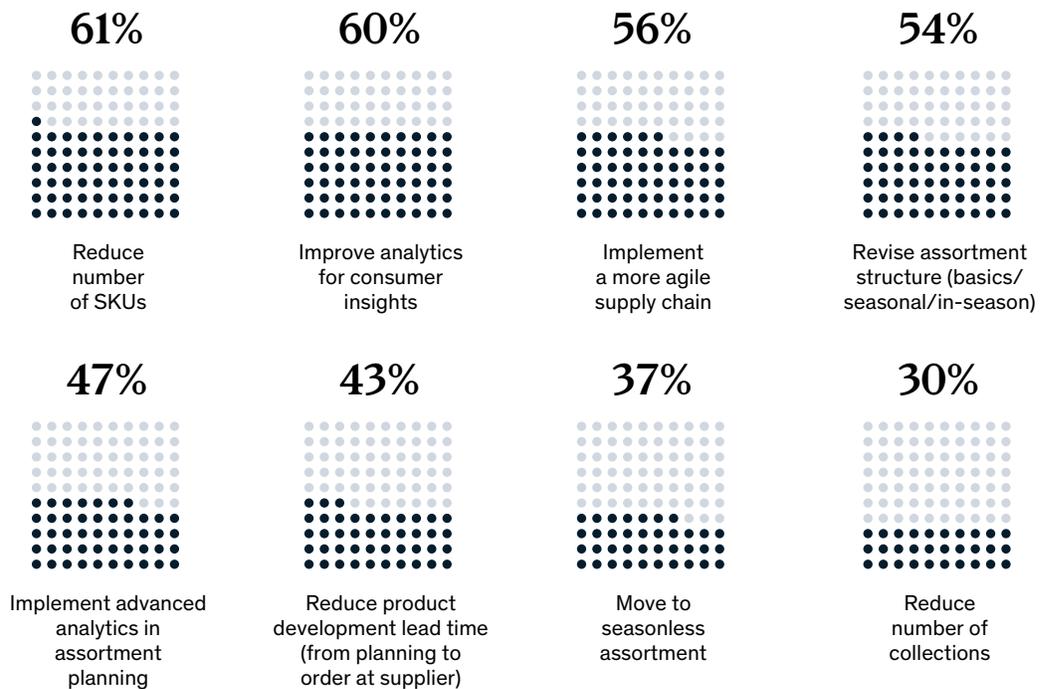
Less is more

Even before COVID-19, the fashion industry's excessive inventories and widespread markdowns proliferated to the point that just 60 percent of garments were sold at full price, creating billions of dollars of lost revenues and margins. The situation worsened during the pandemic, and few retailers were immune. The overstock issue will only get worse if companies fail to adapt to consumers'

new "less is more" mindset—which includes a preference for longer-lasting, higher-quality, sustainably produced goods. Fashion executives are responding to these new pressures by putting SKU reduction high on the agenda. Other plans for reducing overstocks include tapping into improved customer-insights analytics and reducing product-development lead times. Some are breaking away from a seasonal fashion calendar.

Exhibit 5

Levers that fashion executives say they will implement to avoid overstock, % of respondents



Source: BoF-McKinsey State of Fashion 2021 Survey

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