

## CFA In The News...



*By: Ilse Metcheck, President,  
California Fashion Association  
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### Industry Voices: Fashion—Finding a Path in Fashion: Where are we now and where are we going?



We have watched the gradual decline of brand loyalty, a development borne of fast-fashion's demand for new products all the time and the rise of influencer peddling. This reality has posed real threats to established brands that are not as agile due to legacy assets and their own bureaucracies.

In this age, characterized by instant changes in consumer taste and preference, there is significant risk of holding any inventory position while apparel brands and e-commerce companies must contend with online return rates as high as 39 percent in some sectors. Even if more-conservative estimates are accurate, one third of all online purchases is returned.

#### What is luxury?

Even the word “luxury” is not what it used to be. The Internet, the rise of on-demand services and the shift in consumer values are all challenging traditional notions of luxury. The classic symbols—the **Hermès** Birkin bag, an *authentic* **Rolex** watch and a couture made-to-measure dress are not in any danger of losing status, but around the edges the concept of luxury is not as clear. An exquisitely crafted product, the cornerstone of traditional luxury, matters less to young shoppers than it did to previous generations.

Traditional luxury makers have been forced to adapt to the new normal, clearly as the result of the younger generation's social and environmental awareness, creating *different markers of status*. Why was a United States-based skate-brand hoodie in collaboration with **Louis Vuitton** a runaway bestseller at \$400? Is a \$2,500 dress still a luxury item when you are renting it for a night at \$250? Even luxury labels are turning to sweatpants and sneakers for sales growth.

Today, it is the brand—the image and the storytelling—that attracts. Conspicuous consumption is on the decline and has been replaced by a social, environmental and cultural awareness as the new social capital.

Millennials and Gen Z-ers already account for 30 percent of global luxury sales, and they are on pace to be 45 percent by 2025, according to the **Bain & Co.** consultants. For many of these consumers, ownership is not necessarily the way to go. Why purchase a movie on a DVD when you can stream it on **Net-flix**? Why purchase a car when there is **Uber**? Online resale sites such as **TheRealReal** and **RentTheRunway** are a part of these generations' economy.

Social media has totally changed the marketing concept. Brands used to create their own image from the top down through fashion advertisements and relationships with fashion editors.

Now, anyone with a smart phone can become an influencer, shifting the balance of power.

*Brands ignore influencers at their peril;* they must target small demographic communities online in ways that speak to just them.

Influencer marketing is part of the new online review space. Most of **YouTube**, **Instagram** and **WeChat** influencers are making a profit off of their product reviews, and many do not disclose this information to their audiences.

Six years ago, the United States Federal Trade Commission issued guidelines for disclosure requirements. Bloggers and influencers are required to include an explanatory phrase: "Commission is received from purchases made through this link." The majority of disclosures do not abide by FTC guidelines—yet. Research indicates that a vast majority of marketing programs by influencers on platforms like YouTube go undisclosed. Currently, only 10 percent of YouTube videos contain any disclosure at all.

Basically, the inclusion of such a disclosure does not automatically mean that a review is biased. The question is whether or not the consumers' choices would be different if they knew that the blogger profits when they make a purchase. Full-time influencers, whose followers number in the millions, are now represented by talent agencies that help broker relationships for them and brands.

In August of 2019, the FTC sent over 90 letters to celebrities and influencers reminding them that they should clearly disclose brand relationships.

However, celebrities and social influencers hold formidable power over Gen Z; this generation has fewer concerns about privacy and data security on these platforms, and a Gen Z consumer is four times more likely to buy based on social-media input than any previous generation.

### **Experimentation and innovation**

To be successful in this new data-based environment, small-scale experiments are essential. While influencers may not be appropriate for every company, the idea represents an approach for change. The culture of any company today must embrace the realities that the new consumer talks about—sustainability, social justice and labor equality.

New product has to be all the time, including special drops and new releases that are the lifeblood of e-commerce fashion and speed-to-market thinking. These ideas generate recurring revenue rather than amassing margin-killing inventory.

The world of fashion is changing. It is certainly a challenge but also a great opportunity for the companies that grab all new concepts and run with them. Technology and continual testing can create the environment for innovation; all products and brands will grow and benefit by listening, experimenting and implementing.

<https://www.apparelnews.net/news/2020/oct/15/industry-voices-fashionfinding-path-fashion-where-/>

**CFA** 444 South Flower Street, Los Angeles, California 90071 Tel: 213 688 6288. Fax: 213 688 6290

email: [info@calfashion.org](mailto:info@calfashion.org) Website: [www.californiafashionassociation.org](http://www.californiafashionassociation.org)

