

FASHION INDUSTRY IN 2019

According to a recent Mc Kinsey – Business Of Fashion report, the **world fashion industry** will grow at a rate between +3.5% and +4.5% in 2019, marking a marginal slowdown as a result of the setback both in economic growth and trade flows at the global level. Volatility, uncertainty and changes of scenery will be the peculiar traits of this period. The World Bank, IMF and OECD forecasts highlight signs of cyclical cooling; the possible change in the economic cycle, after a period of continuous growth, can therefore trigger a strategy of adaptation and support to productivity, which has remained substantially stable in recent years, especially in mature markets.

In general, **emerging countries** (both in the Asia-Pacific region and in Europe) are expected to increase. The Chinese area should overtake the United States for the first time and become the first international market for fashion. Among the other countries in the rapidly expanding Asian continent, India will take a central role in 2019, and thanks to an expectation of macroeconomic growth of 8% until 2022 and a significant increase in the middle class, it will pass more and more from a strategic supplier to a destination market for the consumption of fashion goods. The **mature markets** of North America and Europe may slow down following a change in the direction of monetary policy after years of expansion. Finally, the uncertainties related to the domestic political scenario in **Latin America, Africa, the Middle East** and **Russia** could influence consumer spending decisions negatively.

The detail by segment, as in previous years, confirms the **top segment** as the best performer, with an increase in sales between 4.5% and 5.5%, thanks to the Asia-Pacific area and tourism consumption; the prospects for the **accessible luxury** look more fragmented (+3.5/4.5%), with a brighter trend in Europe and China compared to Japan and the Americas. The **premium** and **middle** segments will be the ones suffering the most, because of the strong competition on prices and the high saturation of the market.

Among the types of products, **sportswear** confirms the the most dynamic category (+6/7%), fueled by the strong demand of younger consumers, followed by **leather goods** (+4.5/5.5%), which reflects a global tourist boom that looks unstoppable. Moderate variations expected for **footwear** (+3/4%) and **clothing** (+4-5%) instead, due to the critical factor of environmental and social impact.

On a qualitative level, the dominant trends in the current year will focus on the **digital world** and on the responses it will be able to give to the needs of an impatient consumer, who has high expectations in terms of speed and convenience, thanks to the new e-commerce platforms, who is inspired more and more by web sources (social, influencers...) and looks for experiences.

Transparency and sustainability will be some other topics of great interest, especially for the younger generations (*millennials* and Z Generation), which many experts consider as the determining factor of our times.

In fact, 90% of the consumers of the so-called Z Gen believes that companies have the responsibility to tackle social and environmental issues, while over the half of *millennials* already declare to look for information about companies and products before buying. These attitudes cannot be ignored given the weight in terms of purchasing power these two categories represent (it is estimated that Z Gen alone will be responsible for 40% of world consumption in 2020).

Companies in the fashion industry will therefore have to face the challenge of a more informed consumer, interested in social and environmental responsibility, and willing to pay more for sustainable products (66% of *millennials* and Z Generation).

On the production side, therefore, it will be crucial to integrate a sustainable raw materials supply with efficiency and productivity.

The study also analyzes the sales and profit results of over **500 top players** in the sector, identifying **20 top performers** which represent almost the entire amount of profits. It emerges a global phenomenon of polarization that can be observed transversely also outside the fashion industry. Among these key players Inditex, Nike, LVMH, Hermès, Richemont, Adidas, Kering, Michael Kors and Burberry stand out. Success factors are related both to the size and the ability of the company to exploit significant economies of scale, and to position itself in a specific niche, and to the strength of the brand and its production efficiency.