

How apparel retailers can tap into trends like ChatGPT, resale, and D2C

Article

As apparel retailers grapple with consumers' pullback in discretionary spending, a few common themes are emerging. Some are refocusing on core consumers while others are experimenting with cutting-edge technologies.

Here are four trends to watch.

1. Apparel retailers struggle as consumers cut back.

- Even though it exceeded first-quarter expectations, **Levi's** said 2023 gross margin will be down due to higher levels of promotion than anticipated, as reported by Reuters.
- **Gap Inc. also warned of a tough 2023**, expecting net sales to decrease in the low- to mid-single-digit range, per Reuters.

Our view: Retailers need to prove their worth. If brands aren't able to lower prices, they need to find another way to provide value to customers, whether that's through convenience, quality, or strategically planned discounts and perks.

2. As digitally native brands struggle to scale, many are rethinking the D2C playbook.

- After a disappointing end to 2022, **Allbirds is pivoting its business strategy** and refocusing on its core consumer. The company will also slow the pace of its store openings in the US.
- Rent the Runway, also struggling for profitability, **teamed up with Amazon to sell secondhand clothing** to boost sales and expand its customer base.
- But partnering with an established retailer doesn't guarantee success. Within the last month, **Walmart offloaded Bonobos and Eloquii**, the last of the D2C brands under its banner.

Our view: To succeed alongside established brands, D2C companies need to think beyond selling just online or just in-store.

“What leads to a successful business is having **multiple ways to sell your product** and finding the right partners to help you do it,” said our analyst Suzy Davidkhanian. “That means using wholesale models, social commerce, or any other number of strategies to reach the maximum number of consumers.”

3. Competition among fast-fashion companies heats up.

- H&M and Zara, two of the world's biggest fast-fashion retailers, are duking it out for the top spot. In the first quarter, Zara outshone H&M as it reported record profits for 2022 (while H&M reported a smaller-than-expected increase in sales for Q1).
- **Shein has set some big revenue goals.** The retailer says it will more than double its revenue to almost \$60 billion by 2025, exceeding the combined annual sales of H&M and Zara, per the

Financial Times.

- Meanwhile, European company **Primark is expanding further into the US**, opening stores across the southern US to cater to its customer bases in Texas and Florida.

The sustainability factor: As consumers seek more sustainable ways to shop, fast-fashion brands seek ways to cut down on the massive amounts of waste they produce. Some, like **H&M, have launched resale programs**, which cut down on waste while also boosting profits. Others, like Primark, **will source more sustainable materials** for their clothing.

Our view: With everyone vying for the same customers, fast-fashion retailers need to find ways to differentiate themselves. Considering co-branded product lines (which feed into consumers' desire for unique or hard-to-get items) or finding ways to make the purchase journey more seamless (through flexible payment or pickup options) could be two strategies.

4. Fashion retailers use technology to expand reach.

- Snap is working with retailers like Goodr, Princess Polly, and Gobi Cashmere to promote their products via the social media platform's AR try-on lenses.
- Coach, adidas, and Tommy Hilfiger participated in this year's Metaverse Fashion Week, showcasing their latest collections in a cross-platform digital fashion show.
- Following a successful test during the 2022 holiday season, **Bloomingdale's Outlet has extended its partnership** with livestreaming mobile app ShopShops.
- ChatGPT and other **generative AI solutions may play a big part in fashion ecommerce**, helping brands enhance product search and discovery, generate product descriptions, or even customize or co-create products.

Our view: Experimenting with cutting-edge technology can give fashion brands an edge, but it's important to make sure the technology resonates with consumers. For example, only 18% of US teens and adults have used the metaverse in the past year, per a February 2023 KPMG survey, making an investment in the technology a gamble.

This was originally featured in the Retail Daily newsletter. For more retail insights, statistics, and trends, [subscribe here](#).