

A NEW TEXTILE ECONOMY

-How new digital design tools are changing
business models and stemming the tide of textile waste

Enabling the transition to a circular economy

-Circular Economy Conference 2019

Gisle Mariani Mardal
Norwegian Fashion Hub

A shiny chrome faucet is positioned on the left side of the frame, dripping a large, thick, black liquid drop. The drop is elongated and has a small hole in its center. The background is a serene landscape featuring a calm blue lake, distant mountains, and a clear blue sky. The text is overlaid on the right side of the image.

«Norway is developing its fashion industry in this age where sustainability, new manufacturing technology, digitization and changing consumer behaviour should be at the core of every business model».

The State of Fashion 2019

THE YEAR OF THE AWAKENING

GLOBAL ECONOMY

01.

Caution Ahead

Downward movements in key economic indicators and other potentially destabilising forces will conspire to create a more cautious mood. With the possibility of a global economic slowdown by 2020, companies will turn more prudent and start to look more aggressively into opportunities to boost productivity compared to previous years.



Percentage of survey respondents that were concerned about the overall global macroeconomic outlook in 2019.

02.

Indian Ascent

India becomes a focal point for the fashion industry as its middle-class consumer base grows and manufacturing sector strengthens. Fashion players must redouble their efforts in this highly fragmented and challenging market where an educated and tech-savvy demographic rub shoulders with the poor and upwardly mobile.



Projected number of smartphone users in India by 2022, 2.3x the usage in 2017.

03.

Trade 2.0

All companies will be forced to prepare contingency plans to face a potential shut-up of value chains. On the one hand, the apparel trade could flourish in new partner trade tensions and uncertainty and, on the other hand, by new opportunities from growing South-South trade and the renegotiation of trade agreements.



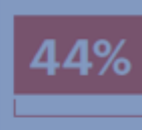
Percentage of survey respondents that believe changes in trade policy will pose potential risks to global economic growth (Q2 2018 sentiments, +8% from Q1).

CONSUMER SHIFTS

04.

End of Ownership

The lifespan of the fashion product is extended and the notion of ownership is put under pressure. Refurbished, repair and rental business models continue to evolve. Fashion players will increasingly tap into this market to gain access to new consumers, asking them to move away from the permanent ownership of clothing.



Percentage of survey respondents that believe the pre-owned business model will be more relevant in 2019 than in 2018.

05.

Getting Woke

Younger generations' passion for social and environmental causes is pushing brands to become more socially and environmentally responsible to attract both consumers and talent. Consumers are increasingly taking a strong stance on social and environmental issues, and brands are being held accountable for their actions.



The number of times the word "feminist" is forecast to appear on retailer homepages and newsletters in 2018 compared to 2016.

FASHION SYSTEM

06.

Now or Never

In the mobile consumer era, every step of the buying process has become a pain-point for a more impatient fashion consumer who seeks to purchase exactly the product they discover, in the way they want it, at the lowest possible price through shorter lead times, improved availability of products and new technologies such as visual search.



In 2018, customers of Amazon in the US expected deliveries within 24 hours, as opposed to a 9-day delivery time expectation in 1995.

07.

Radical Transparency

After years of having personal data owned by tech and big data by business, more consumers expect companies to reciprocate with radical transparency. For companies to meet a new bar for consumer expectations, they will need to offer transparency along dimensions such as value for money, sustainability and integrity of the supply chain.



Percentage of survey respondents that cited "consumer needs for trust in product authenticity and creative originality" in their top 5 trends for 2019, ranked 2nd out of 12.

08.

Self-Disrupt

Traditional brands are beginning to disrupt their own business models, in response to a new breed of small disruptive brands that are able to decrease brand loyalty and a growing appetite for more personalized services. We expect more brands to follow suit on this path of self-disruption, which will have a significant impact on their operating models.



Top ranked trend that fashion executives predict will shape the fashion industry in 2019, included in top 5 by 60% of respondents.

09.

Digital Landgrab

As the race to be the platform of choice for both customers and brands intensifies, e-commerce players will continue to increase their value-added services. Whether through acquisitions, investments or internal R&D, those players who diversify their ecosystem will strengthen their lead over those who remain pure players relying solely on retail margins.



Revenue CAGR of fashion e-commerce retailers over traditional fashion retailers from 2013 to 2017.

10.

On Demand

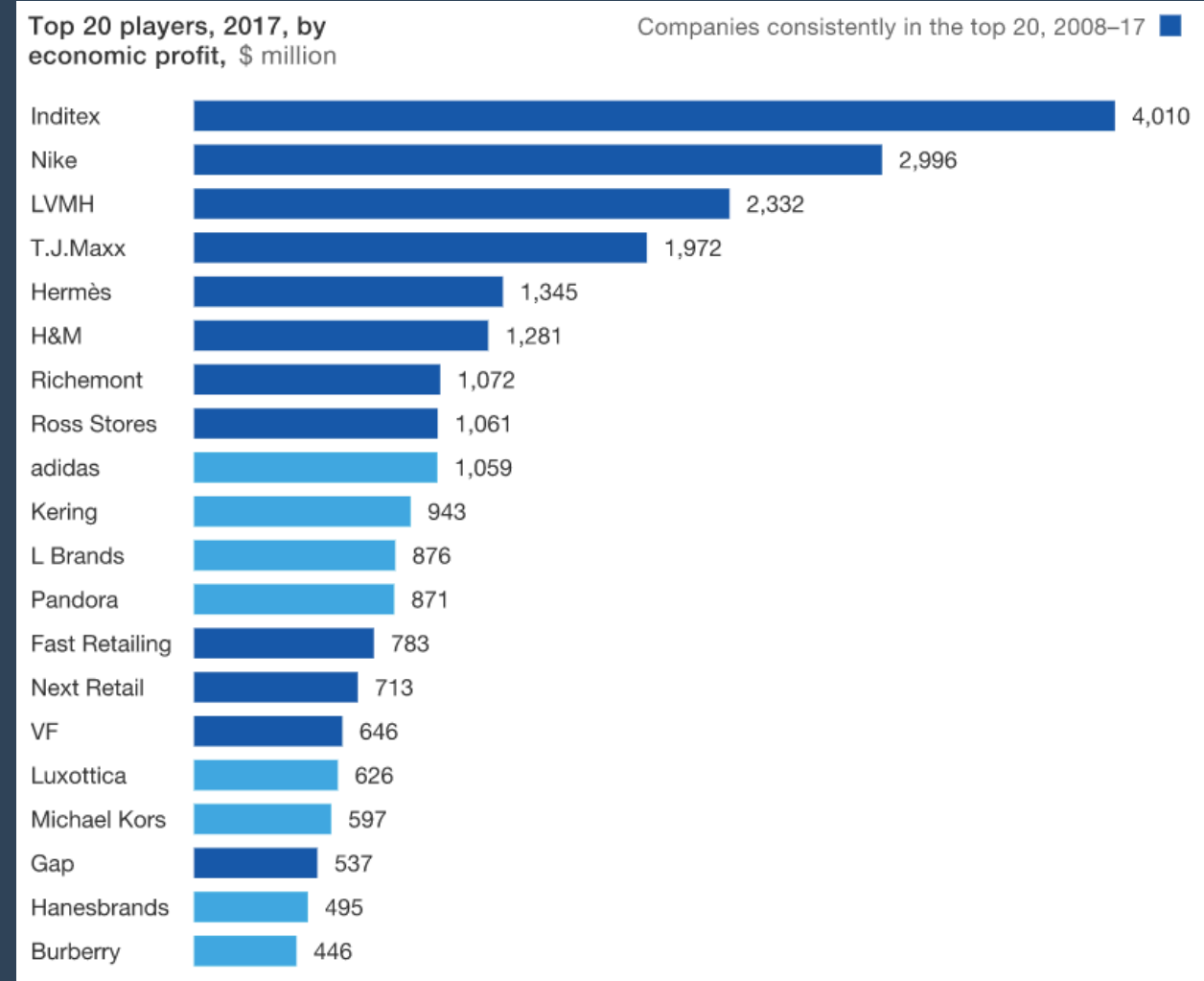
Automation and data analytics have enabled a new breed of start-ups to achieve agile made-to-order production. Mass players will begin to experiment next, responding more rapidly to trends and consumer demands, achieving just-in-time production and reducing overstock and making short, small-batch production cycles the new norm.



Aspiration level for a shift to nearshoring will double between 2018 and 2025.

SCOPE OF THE INDUSTRY

- Total turnover \$1,3 trillion in 2017
- Market value \$385,7 billion
- 4 percent market share
- Top 20 companies stand for 97 percent of the total profit
- The global production volume has doubled the last 15 years
- Predicted to grow 50 percent towards 2030



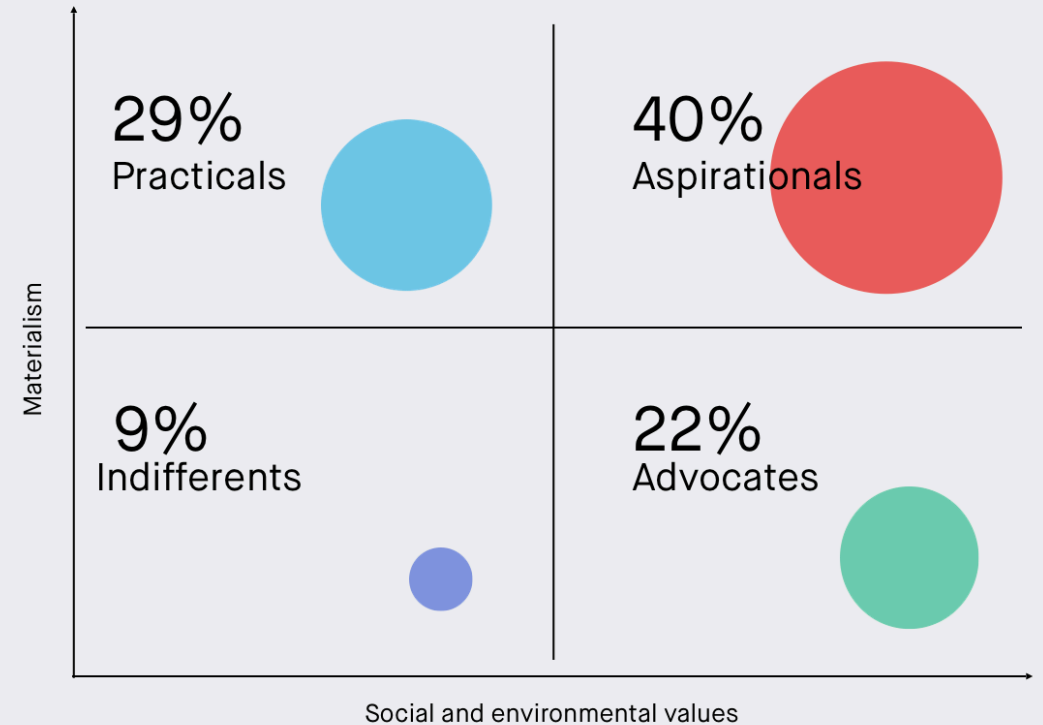
THE GLOBAL MONSTER

- The industry produced 100 billion items for 7 billion people in 2015***
- The current linear practise account for \$500 billion in lost revenue*
- Wearing an item 2 times more can reduce emissions by 44 percent*
- Consumers waste \$460 billion yearly*
- 77 percent of the fast fashion segment are women under 21**
- 71 percent are not aware of the relationship between their consumption and sustainability**



A SHIFT IN PURCHASING POWER

- Consumers worldwide have expanded the scope of their purchasing decisions to incorporate principled values and views
- Billions of people are using consumption as a means to express their deeply-held beliefs
- Blending design and consumer research is the key point of departure for a sustainable process



*BBMG & GlobeScan 2017

POWER TO THE CONSUMER

- Fashion is seeing the start of a shift where products are “pulled” into the market based on actual demand rather than “pushed” based on best-guesses and forecasts
- Social media enables trends established by consumers, as opposed to retailers and editors
- In an era of fast-changing preferences, responding to shifting demand, and tailor production accordingly, makes sense
- The “pull” dynamic, procurement, production and distribution are based on customer demand
- The “supermarket” model, inventory is only replenished once consumed



*The McKinsey GlobalFashion Index

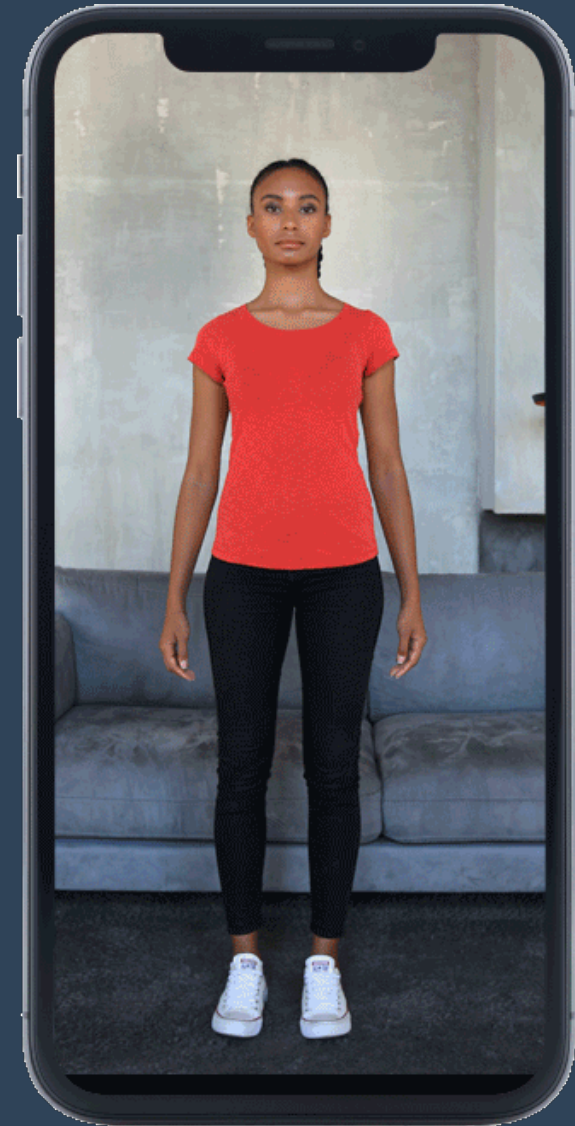
ENABELING A TRANSITION

- 78 percent of sourcing managers believe sustainability will be a key purchasing factor for mass-market apparel consumers by 2025
- 82 percent believe that simple garments will be fully automated
- Mass-market apparel brands must change to a demand-focused model
- Companies are optimizing and digitizing their processes and rethinking inbound logistics
- To optimize the apparel production model, effectively means nearshoring, to enable automating new delivery models, and shifts toward sustainable, circular value chains



A RESPONSIVE DESIGN PROCESSES

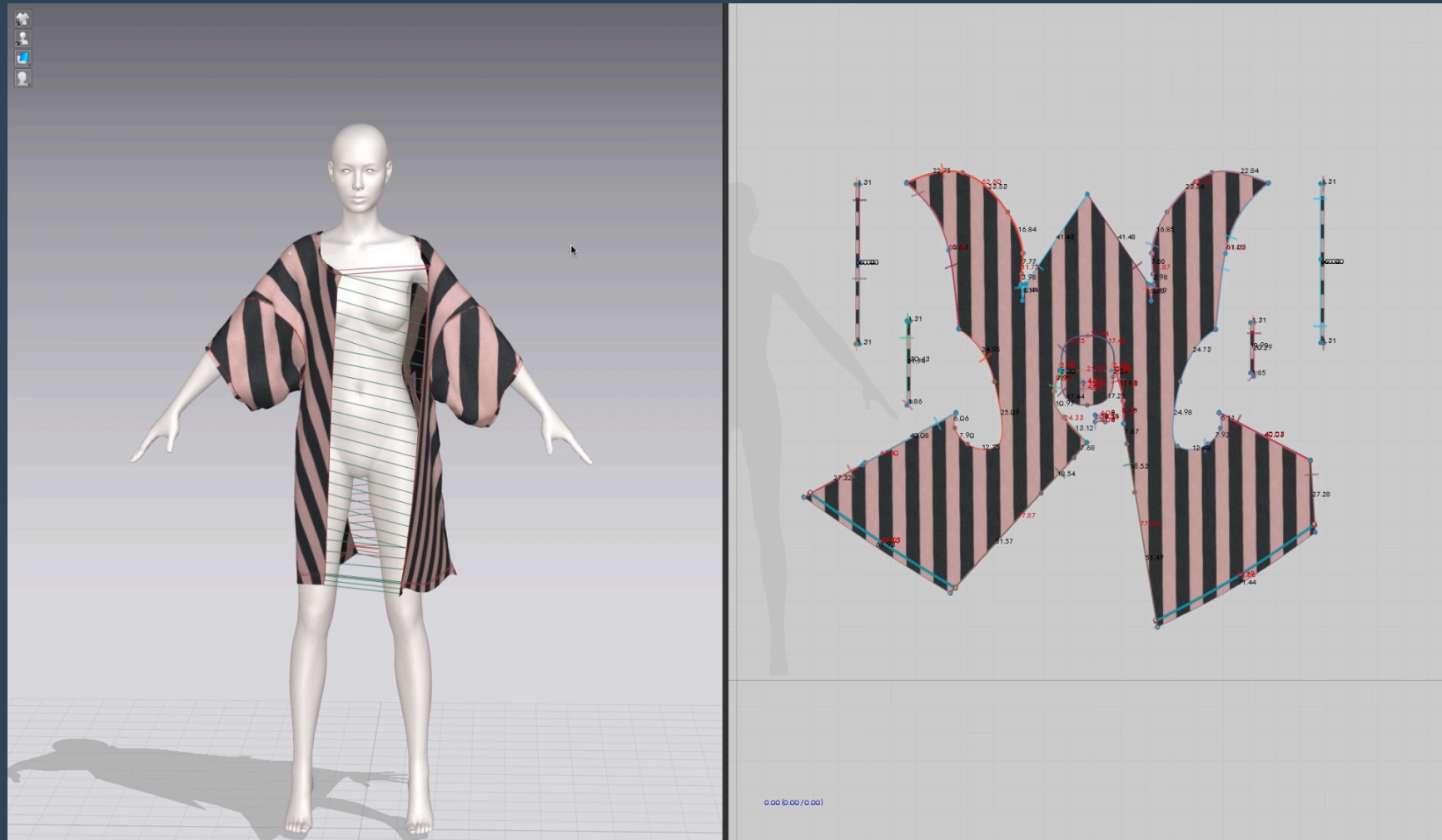
- Design and production are cumbersome processes, requiring nearly a year to plan and move products to market
- Automation and data analytics will enable agile made-to-order production cycles
- Brands will respond rapidly to trends and consumer demand
- A rise in just-in-time production, reduced levels of overstock and the rising importance of small-batch production cycles
- Technology, analytics and nearshoring are part of the solution, enabling companies to respond quickly to source and develop products, squeeze production timelines and streamline distribution



3D LOOK

NEW DESIGN TOOLS

- Avatar based technology
- Merging of design and gaming technology
- Design applied to individual measurements
- Updating technical patterns while adjusting the shape on the avatar for industrial manufacturing



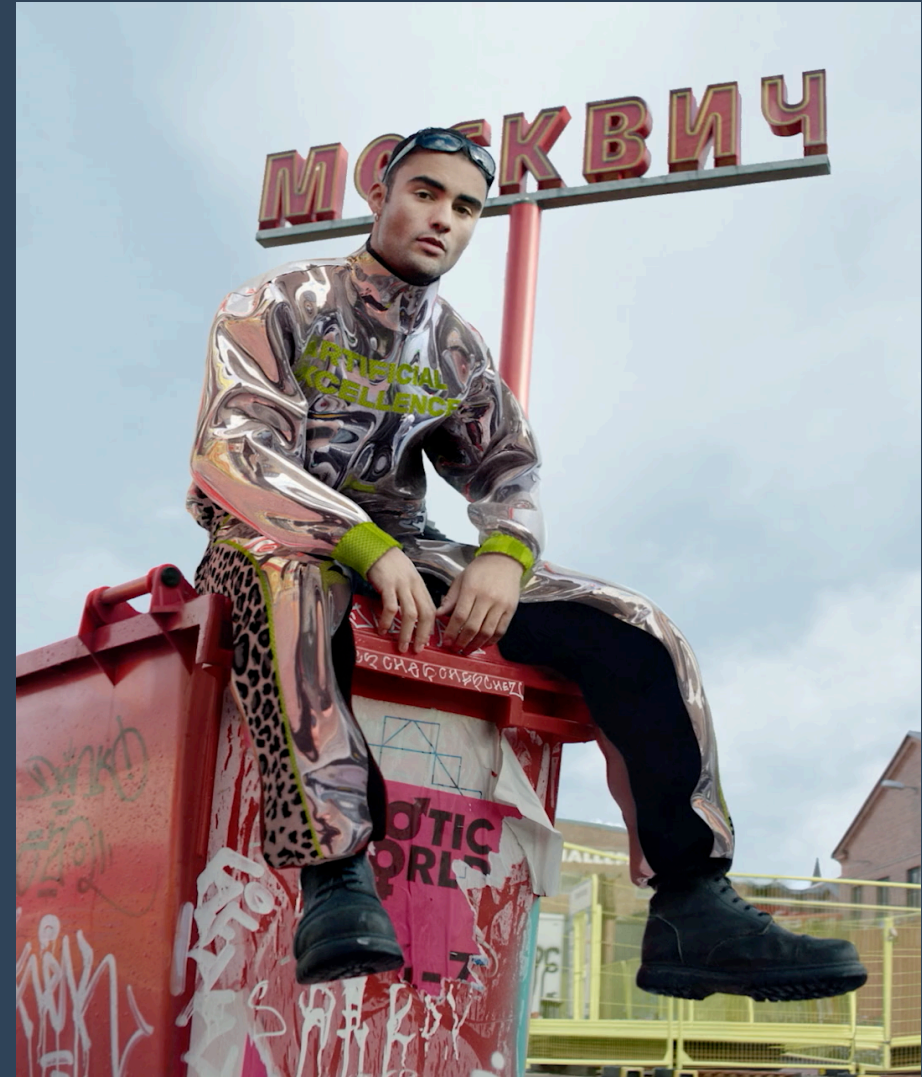
DIGITAL PROTOTYPES

- Virtual prototypes makes the pre production phase purly digital
- Enables communication of products to consumers before being manufactured
- Can be adjusted to fit personal taste, sieze and quality in advance
- Designs without appeal will not go into production



DIGITAL CLOTHING

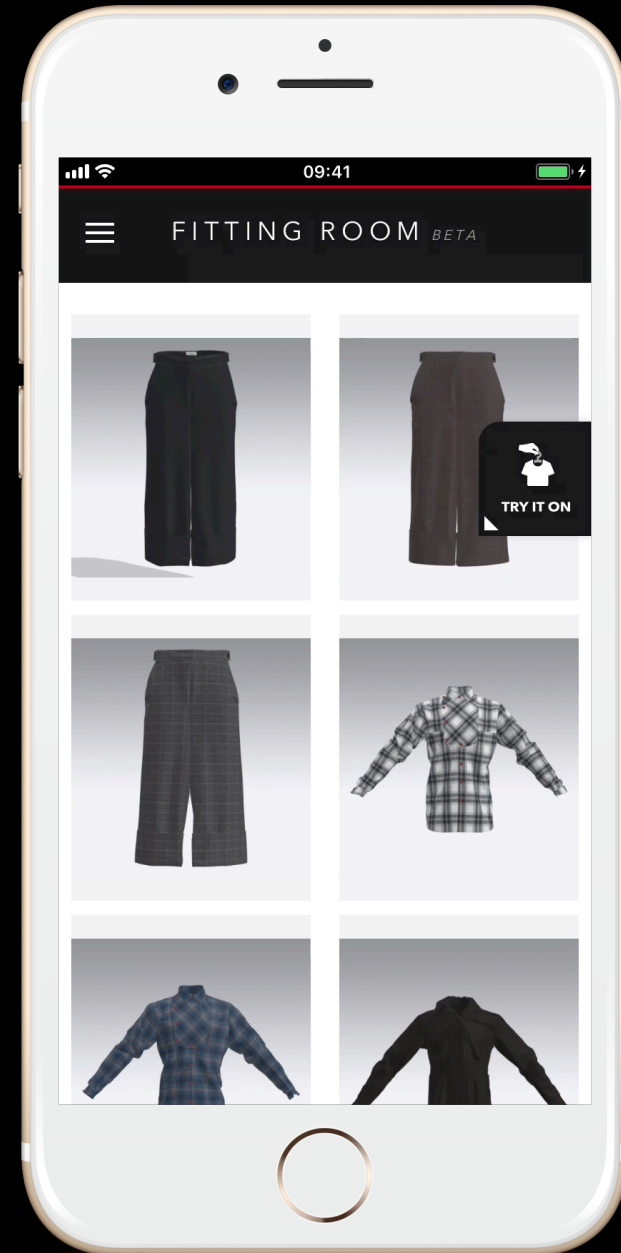
- A new market for fashion
- Code over physical product
- Skinns, -already a big niche in the gaming industry
- Now adapted for wear in social media channels



*Digital campaign from Norwegian fashion retail brand Carling

DIGITAL FITTING ROOM

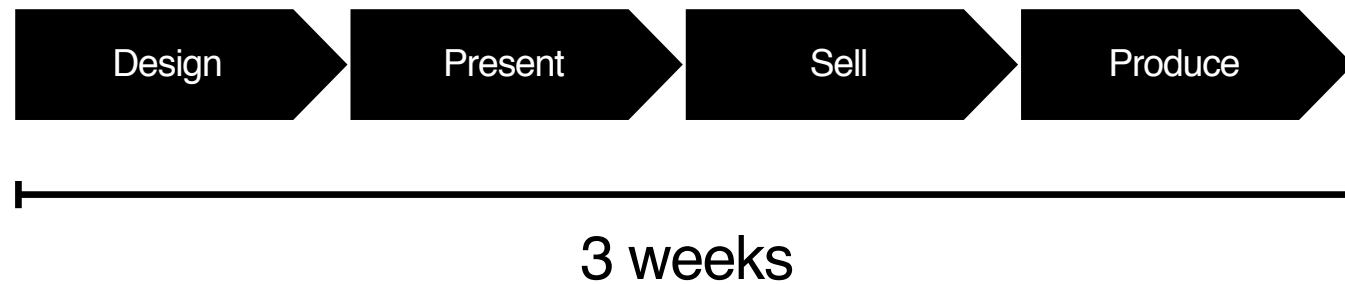
- The Spotify of Fashion
- On demand showrooms
- Avatar based, personal measurements
- Connecting consumer and provider of on demand manufacturing processes



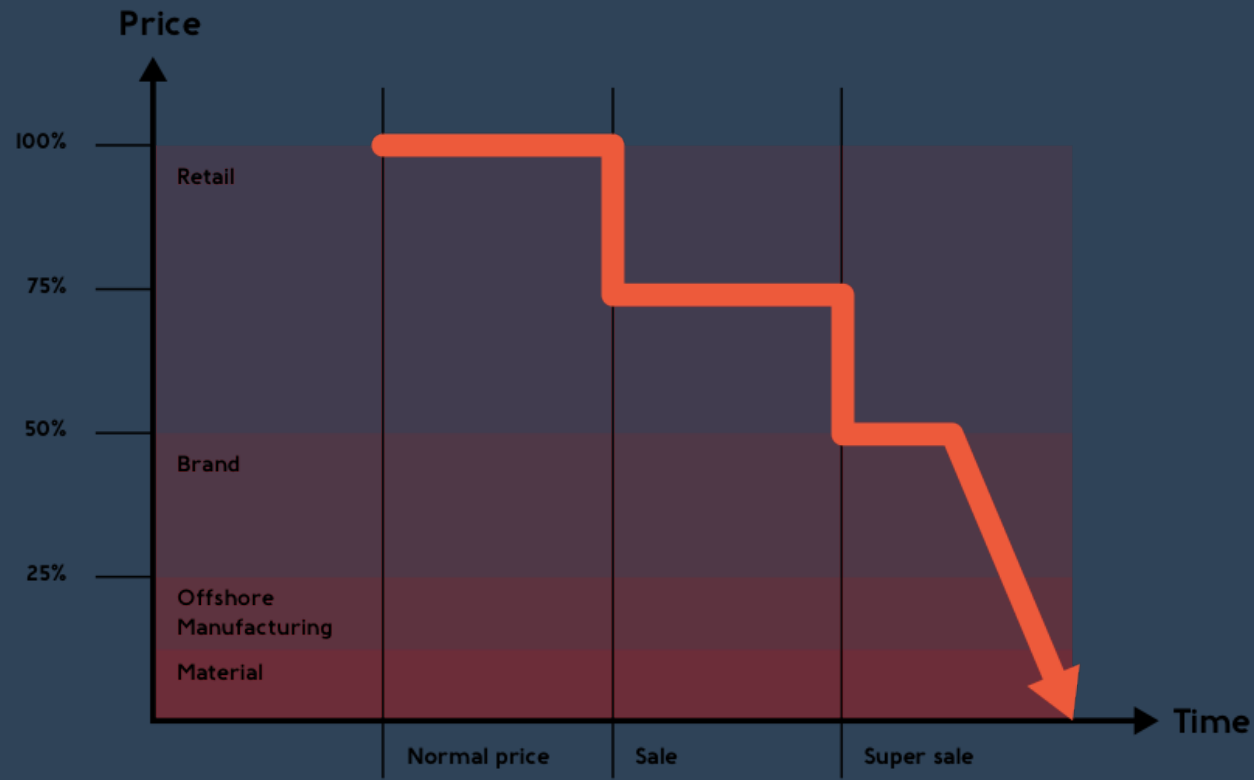
Traditional process



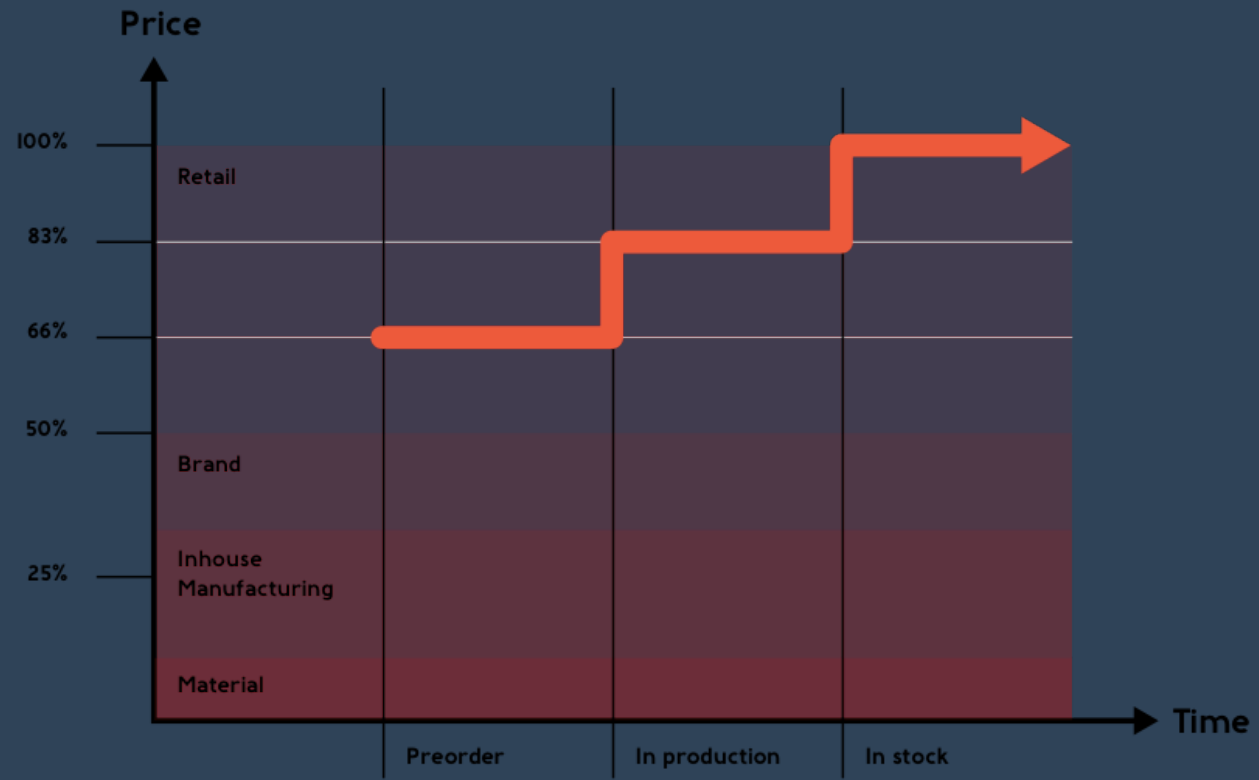
Digitized process



TRADITIONAL PRICEMODELL

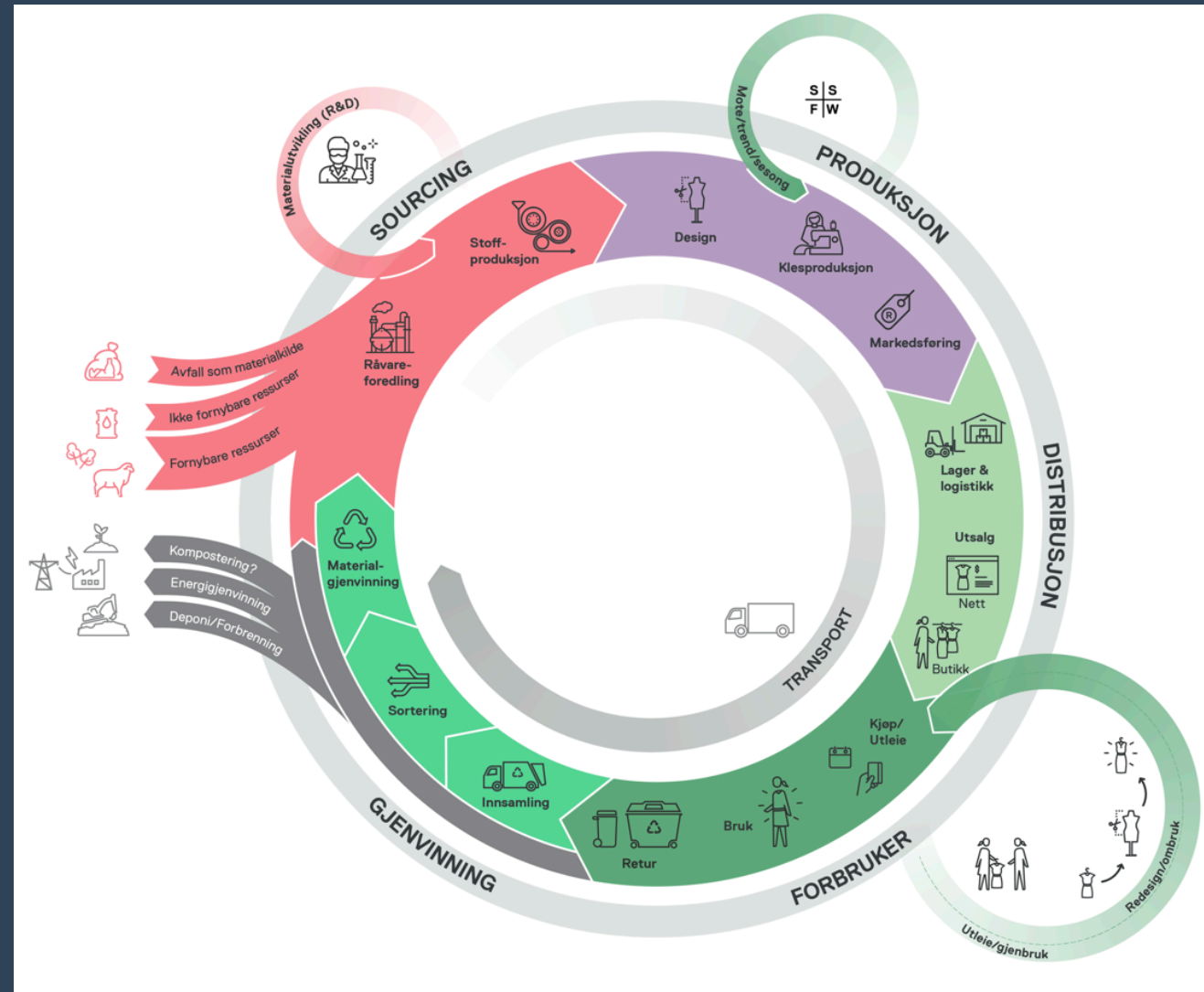


ON DEMAND PRICEMODEL



A CIRCULAR VALUE CHAIN

- Nearshoring and automation have environmental and social benefits, in addition to the commercial benefits
- By bringing production closer to home and investing in advanced manufacturing, companies will become more sustainable and less wasteful by reducing overproduction and decreasing the ecological footprint from reduction of transport
- Taken together, nearshoring and automation will enable a circular value chain





THANK YOU!

Gisle Mariani Mardal
Norwegian Fashion Hub