

As Consumer Trade-Offs Impact Fashion Spending, Innovation and Connection Strategies Create Opportunities for Growth

Post-pandemic lifestyle changes coupled with a continuation of food inflation are leading U.S. consumers to spend cautiously and strategically, resulting in less discretionary spending on other categories including fashion. In April 2023, discretionary U.S. general merchandise retail sales revenue fell 7%, compared to April 2022, and unit sales declined 8%, as food prices rose 8%, according to Circana, formerly IRI and The NPD Group.

“Faced with higher food and grocery bills, consumers have had to make concessions, and forgoing fashion-related purchases has been a big part of this trade-off,” said Marshal Cohen, chief retail advisor at Circana. “For the fashion industry to reengage with the consumer, its value proposition needs to be clear. This value is manifesting itself in products and categories offering innovation and emotional connections which create demand.”

Here are four ways the fashion industry can succeed at captivating today’s consumer:

Be in-sync with replenishment cycles and fill the gaps

With 57% of U.S. consumers citing replenishment as the leading reason for their apparel purchases, and with 80% buying based on need, these priorities have led to growth in the apparel industry since 2019. Consumers’ wardrobe needs have evolved drastically over the past three years. Comfort-based clothing, including sweats, pajamas, and sports bras, were among the only apparel categories that grew in 2020; jeans, tee shirts, and other casual styles were top sellers in 2021; and, finally, dressier items, like dresses, suits, and blazers, topped consumers’ preferences last year and into 2023.

“After replacing their entire wardrobes over the past three years, consumers today need to be enticed by something more,” said Maria Rugolo, apparel industry analyst at Circana. “Winning brands will draw in consumers by offering broader lifestyle appeal and introducing a wider portfolio of fresh, unexpected options for wardrobe expansion.”

Solve for the lack of newness and fewer innovations for consumers

When asked, “which of the following categories do you feel are currently offering the most new and exciting products,” 54% of consumers said “none.” In fact, the number of new apparel and footwear items added to the market each dropped in 2022 versus the prior year.

“Fashion is an industry for which iconic and classic styles are extremely important,” said Beth Goldstein, footwear and accessories industry analyst at Circana. “However, style trends and brand popularity are cyclical, so it is important to keep up the pipeline of fresh product to keep consumers interested. With the footwear market forecasted to deliver minimal growth through 2025, a focus on promoting value and versatility, while prioritizing innovation, will give brands and retailers the upper hand at gaining market share.”

Remember consumers are making choices that reflect what’s important to them

With both sales revenue and unit sales growth, prestige beauty continues to be the top-performing industry, across all general merchandise and consumer packaged goods (CPG) industries tracked by Circana. Among beauty shoppers who reported cutting back on overall spending due to inflation, 70% said they are not reducing their spending on beauty products.

“For many consumers, beauty is an indispensable category,” said Larissa Jensen, beauty industry advisor at Circana. “An industry seeped in emotion, beauty has proven its resiliency by creating connections that go deeper than the physical product. And, with consumers focused on their mental wellness more than ever before, beauty products are benefiting.”

Live in the moment, but look towards the future

Consumers today are shifting their spending to product categories that satisfy broader lifestyle needs. In fact, apparel spending among consumers aged 18-to-24 declined by 11% in the past 12 months, which is faster than any other generation. Younger consumers, who were once the fashion industry’s bread and butter, are reallocating their spending to categories like beauty and toys.

“With immediate fashion needs met, purchase motivators will likely shift focus to two things: innovation and joy,” said Kristen Classi-Zummo, apparel industry analyst at Circana. “By its nature, fashion instills the values of confidence and self-expression, but there is a need to bring these traits front and center. In the face of whatever economic instabilities that might come our way, consumers will consistently turn to products that uplift, instill confidence, and spark joy.” ■

Source : NPD Circana

Gen Zs embrace new living situations, spending habits

The age span for Gen Z — late teens through mid-20s — coincides with some major life changes and the responsibilities that accompany them, such as moving into their first place, buying their own essentials, and earning and managing their money. As the Numerator (consumer insights and data company in USA) survey “Zooming in on Gen Z Buyers” noted, within a three-month period, about one-fifth of 18- to 20-year-olds changed jobs, moved to a new address and got a pet. Among those ages 21 to 23, one-fourth changed jobs, and 18% moved.



By the time Gen Z reached ages 24 to 26, 73% were claiming financial independence. And even among younger Gen Zs, more than half (53%) of those 18 to 20 said their primary income source was a paycheck. That number increased with age: 64% for 21- to 23-year-olds and 72% for those ages 24 to 26.

Their living situations changed dramatically as they matured as well. While 15% of those 18 to 20 said they were living with a spouse or partner in their home, nearly half (47%) of those 24 to 26 made that claim. And about one-fifth (19%) of the oldest Gen Zs lived alone in their own home. The survey also showed that as Gen Z members aged, they altered their spending preferences.

Money spent on the home and garden category was the second-highest spend in 2022 after health and beauty for all Gen

Zers, no matter their age group. The oldest cohort spent \$982 on home and garden during 2022. Spending then stepped down to \$751 for those ages 21 to 23 and dropped to \$548 for the 18-to-20 group.

But it isn't just about spending. Efforts to save money rose as well as Gen Z matured, the survey showed. More than half (55%) of the oldest Gen Z group said they bought cheaper brands and products vs. 53% for the 21-to-23 group and 49% for the youngest Gen Zers. The oldest within Gen Z also were most likely to delay a larger purchase: 38% vs. 34% and 32%, respectively.

Numerator's Gen Z report was based on a survey of 1,600 Gen Z consumers combined with the verified shopping behaviors of more than 5,000 Gen Z buyers. ■ Source: HFN mag