



**Chandrawat
& Partners**

FASHION AND LUXURY SECTOR

**A comprehensive guide
on fashion & luxury sector**

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INTRODUCTION



The fashion and luxury business sector encompass industries engaged in the creation, design, production, marketing, and retailing of high-end fashion products, accessories, and luxury goods. Different segments in the fashion and luxury sector have contributed significantly to its success. Key areas include high fashion and haute couture, luxury accessories and leather goods, fragrances and cosmetics, ready-to-wear collections, luxury retail and e-commerce, luxury hospitality and experiences, and brand licensing and collaborations. These segments play essential roles in driving revenue, reaching a wider customer base, creating brand experiences, and expanding the industry's influence.

The fashion and luxury industry involves intellectual property protection, legal contracts, regulations, and international trade. It requires safeguarding trademarks, copyrights, and designs, forming partnerships through licensing and distribution agreements, and complying with various regulations. International trade agreements and customs regulations further complicate cross-border operations.

The fashion and luxury industry requires constant innovation and differentiation to stand out in a competitive market. Building a strong brand identity, implementing effective marketing strategies, and creating immersive retail experiences are key. Strategic alliances, designer partnerships, and targeted marketing campaigns help raise brand awareness and attract global clientele. Embracing e-commerce, social media, and data analytics is crucial for understanding consumer behavior and improving business operations.

Financial considerations, including cost management and pricing strategies, are important for profitability and maintaining exclusivity. Fashion and luxury businesses must navigate legal challenges and seize business opportunities to thrive in the global market.

ECONOMIC OVERVIEW

Fashion is one of the world's most important industries, driving a significant part of the global economy. It is one of the key value-creating industries for the world economy. If it were ranked alongside individual countries' GDP the global fashion industry would represent the seventh-largest economy in the world," stated McKinsey in its State of Fashion 2017 report. Before the COVID-19 pandemic, the fashion industry global revenue was estimated between \$1.7 trillion and \$2.5 trillion according to two different research reports by Euromonitor and McKinsey.

According to Euromonitor, the global apparel and footwear industry grew by 18.1% at current prices in 2020-2021, to \$1.71 billion dollars in market size (retail value USD million) in 2021. The world's apparel retail market is expected to enjoy a 7.5% growth in 2021-2022 to \$1.84 billion dollars in 2022 and a 6.1% growth in 2022-2023 to \$1.95 billion dollars in 2023.

Trade Textiles & Clothing Worldwide: Export & Import

World merchandise exports of manufactured goods were affected by the Covid-19 pandemic in 2020: the annual percentage change was -5.2% in total. Clothing saw a -9.1% decline in 2020, while textiles saw a strong increase of +16%, due to the demand for protective personal equipment.

Fashion Companies

The textile and garment industry sees a constant influx of new companies, though consumer awareness tends to focus on individual brands within global fashion companies. Despite anticipated challenges, the luxury sector is projected to experience 5 to 10 percent sales growth in 2023, offering a positive outlook amidst a challenging overall fashion industry landscape as per the State of Fashion 2023 report released by The Business of Fashion and McKinsey & Company.

MARKET DYNAMICS

Market dynamics drive luxury and fashion industry. These factors influence luxury and fashion market dynamics:

- **Consumer preferences and trends :** Luxury and fashion depend on consumer preferences and trends. Trends, tastes, and lifestyles affect brand, product, and style demand.
- **Economic conditions:** Income, employment, and consumer confidence affect luxury and fashion in a manner. Consumers may be more price-sensitive and buy necessities over luxury items during recessions.
- **Globalization and emerging markets:** Rising incomes and aspirational lifestyles drive luxury goods demand in these markets, creating huge growth opportunities. Globalization has increased consumer reach and access to international brands.
- **E-commerce and digital technologies** have changed luxury and fashion. Luxury shoppers can browse and buy online. Digital and social media promote brands, engage customers, and influence purchases.
- **Sustainability and ethical practices:** Luxury and fashion have embraced conscious consumerism and sustainability. Sustainability, ethical sourcing, and corporate responsibility resonate with consumers and shape market dynamics.
- **Competition and brand differentiation:** Many established and emerging brands compete in the luxury and fashion industry. Quality, design, heritage, exclusivity, and marketing distinguish the brands from one another.





Luxury apparel market drivers

Social media and online retail are driving sales of the most fashionable luxury clothing. Luxury clothing has grown due to internet transactions. Consumer-specific offers, appealing promotions, and advertising in magazines and social media influence nearly half of luxury garment purchases. Luxury clothing is mostly seen as a status symbol and drives discretionary spending among wealthy consumers. Luxury clothing is growing among millennials. Celebrity endorsements and promotions drive market growth. Celebrities drive fashion sales. Celebrities' social media posts influence buyers. Product launches and social media branding increase customer-marketer distance. Social media helps manufacturers sell. Twitter, Facebook, YouTube, and Instagram can promote brands. Higher brand loyalty. Youth demand luxury fashion via social media. These factors drive luxury fashion growth.

Luxury apparel market restraint

Luxury clothing designers use the finest materials and craftsmen. Premium clothing is made using different methods and materials than fast fashion. Luxury fashion uses high-quality textiles and does not cut corners in printing and dyeing, unlike fast fashion. Luxury brands maintain high standards throughout production. This is why high-end fashion costs more. High prices limit luxury fashion firms' customer base because most people are price-sensitive. Price-conscious customers prefer fast fashion.

HeiQ AeonIQ and German fashion conglomerate Hugo Boss AG signed a long-term partnership in February 2022. This collaboration aims to make Hugo Boss AG climate neutral by 2030. Adidas AG and Prada Group expanded their environmental partnership in January 2022. Adidas for Prada Re-Nylon, a sustainable premium athletic line, will debut.



Rising threat of counterfeit products challenges the market growth

With the rising demand for luxury fashion, manufacturers are finding difficult to ban counterfeit products. In terms of revenue and dampen the brand goodwill, the counterfeit products affect the actual brand products. It became difficult to identify the difference between the actual and the copied product. The counterfeit products are actually of lower price than the original product price for attracting the people towards the counterfeit products. The sale of faked or copy products affects not only the revenue of mainstream brands, but also their prevailing brand equity. These copy products are easily available on the online channels. This counterfeit product of low-cost challenges the growth of the luxury fashion market.

Regional Insights

The market for luxury clothing is divided into North America, Asia Pacific, Europe, Latin America, and Middle East Africa based on region. In recent years, Europe has been the world's largest regional market for luxury apparel, with France, Germany, and the United Kingdom among its significant nations. Millions of tourists come to Europe each year because it is one of the most popular travel destinations. Everyone, from business tycoons to upper-class women, purchases expensive clothing while on vacation in Europe. Due to growing brand awareness and consumer awareness among regional consumers, the Asia Pacific region has recently seen rapid growth. The countries with the highest penetration of luxury clothing are China, Hong Kong, and India.



EMERGING TRENDS

Luxury retailers are under more pressure than ever to offer distinctive online customer experiences in order to stand out from their rivals as a result of customers' preference for ecommerce platforms over in-person shopping over the past 15 to 20 years. The retailers who do this well are not only able to successfully differentiate from other players in their field, but they are also better able to cultivate a loyal and frequently evangelizing customer base. This is due to the increased demand from users for interaction and personalization online similar to their offline experiences. Leaders of fashion businesses recognize sustainability as the biggest opportunity for retailers in 2023. With a sharp rise in user awareness of climate issues combined with European Union regulations change it is expected to see more and more fashion brands adopting and building on innovative sustainability-focused technologies and methodologies, such as circular textile systems, second-hand fashion, virtual try-on technology, and digital product passports over the course of this year.

Circular textiles

In a circular textiles system, no material is seen as waste, but rather as a valuable resource. In the German Federal Ministry for Economic Cooperation and Development's (BMZ) study, Circular Economy in the Textile Sector, a circular textiles system is defined as: "An industrial system that doesn't make waste or pollution by re-designing fibers to stay in high-quality circulation within the production and consumption system for as long as possible and/or feeding them back into the biosphere or techno sphere to restore natural capital or providing secondary resources when they're no longer useful."

By 2023, the fashion industry is expected to witness a significant shift towards high-quality, long-lasting luxury clothing and accessories. This transition is driven by innovations in circular textiles systems, which aim to eliminate waste by reusing fibers and incorporating sustainable materials. These advancements, along with the adoption of new technologies and clothing recycling, will contribute to reducing waste and promoting sustainability in the fashion industry.

Virtual try on technology

Virtual try-on technology is a crucial tool in creating a sustainable fashion future. By allowing customers to visualize products before purchase, it reduces returns, waste, and carbon footprint. Customers can make informed decisions, minimizing the likelihood of returning or discarding items. Additionally, virtual try-on reduces the need for physical stores, lowering carbon emissions associated with traditional retail.

Second hand fashion, rental and repair

In 2023, the luxury fashion industry has a significant opportunity to capitalize on consumer interest in second-hand clothing, rental garments, and repairs. The resale market is projected to reach \$47 billion by 2025, driven by Gen Z shoppers seeking luxury items at lower prices according to the McKinsey State of Fashion 2023 Report. Luxury brands like Oscar de la Renta, Valentino, and Gucci have already embraced second-hand sales, while rental services provide a sustainable alternative. Repair services are also gaining popularity, with brands like Brunello Cucinelli offering free repairs to promote sustainable fashion.



Experiential retail

Experiential retail allows customers in a physical store to participate in non-traditional retail experiences. Amazon Go, a cashier-free, partially automated store, is an example of experiential retail.

Experiential retail uses technology to enhance and optimize customer interactions with a brand, including in-store cafes, lounges, live music, and wall-streamed videos.

Social shopping

Luxury brands and high-street retailers will adopt social shopping in the next six to twelve months, mimicking real-world shopping interactions. China's \$374 billion social commerce market in 2021 was the largest.

Social shopping lets an individual's social media network comment, recommend, and share products or services, improving their relationship with a brand and creating an environment like shopping with friends.

FIT technology

Fit technology enables brands to offer customization and personalized clothing, addressing consumer demand for unique and sustainable fashion. The rise of start-ups focused on customization has been followed by major players adopting this trend. As sustainability concerns and Gen Z's preference for customization persist, made-to-order clothes will gain even more popularity in 2023.

Metaverse and Augmented reality

The metaverse, led by Meta, is revolutionizing storytelling in retail. This immersive digital world offers a realistic experience close to the real world. Through audio cues, visuals, and textures, retailers can create engaging storefronts and trigger emotional responses in buyers. With a significant user base, the metaverse provides a platform for meaningful connections and aligning online and offline identities. It fosters creativity, innovation, and digital experimentation for retailers to stay ahead in the industry.

MAJOR INVESTMENTS



Chanel and Adidas invest in Sustainable Agriculture

As French fashion house Chanel and sportswear company Adidas announce significant investments in projects related to sustainable agriculture, the food, agriculture, and fashion industries are continuing to converge. The agriculture and fashion industries are coming together more and more as a result of the threat to supply chains and the general demand for more sustainable materials and methods. Chanel announced a \$25 million investment in South Pole, a social enterprise based in Switzerland, and the Landscape Resilience Fund (LRF), a non-profit founded by the environmental organization WWF.

By 2025, the LRF hopes to have raised \$100 million to put toward projects that support small-scale farmers in developing nations and promote sustainable agriculture while also protecting forests. Adidas, a well-known manufacturer of athletic wear, has also disclosed a €3 million investment in Spinnova, a Finnish producer of sustainable materials that converts cellulosic fiber into products used in the textile industry. In Finland, the business is constructing its first industrial facility.



2. Moët Hennessy Louis Vuitton SE ("LVMH") invests in Tiffany & Co.

Hennessy Mot The renowned fashion house Louis Vuitton and the wine and spirits company Mot Hennessy merged in 1987 to form Louis Vuitton SE, also known as LVMH or Louis Vuitton, a French luxury conglomerate.

One of the top sellers of luxury goods in the world was created as a result of the merger. Mot & Chandon, the company behind the high-end champagne brand Dom Perignon, and cognac producer Hennessy merged to create Mot Hennessy in 1971.

In an agreement that valued the jeweller at roughly \$16.2 billion, LVMH announced plans to invest in and buy Tiffany in 2021. Arnaut, however, was forced to renegotiate a discount from the original agreed-upon acquisition price because of the coronavirus pandemic and its detrimental effects on the market for luxury jewellery. Tiffany filed a lawsuit in response to his initial request for an 11% price cut on the transaction in order to uphold the original acquisition agreement. The final purchase price reached by the two companies was \$131.50 per share, which is a 2.6% reduction from the initially agreed-upon \$135 per share and brings the total purchase price to roughly \$15.8 billion.

Tiffany will become a part of LVMH's Watches and Jewellery business group, which the company claims will strengthen Tiffany's position in the jewellery market and increase its presence there. Tiffany's presence is anticipated to grow in both China and Europe as a result of the deal.

3. Fashion cloud and Verdane

Fashion Cloud welcomes Verdane's €25 million investment. Verdane's B2B software expertise, international network, and in-house specialists will help Fashion Cloud grow. HEARTLAND and Verdane were investors in the funding round.

Fashion Cloud is a one-stop shop for fashion wholesale content and data exchange and digital pre- and reorder. 40% of Europe's €500bn fashion market is wholesale, but it's fragmented and inefficient. Fashion Cloud provides smart software solutions for fashion brands and retailers to digitize everything from sharing marketing material and product data to optimizing orders and inventory and working more efficiently.

- Verdane is a growth equity investment firm that helps tech-enabled and sustainable European companies grow internationally. Verdane can invest in single companies or portfolios. Since 2003, Verdane funds have invested over 140 fast-growing businesses with over €4.5 billion in commitments. Verdane's 130 investment professionals and operating experts in Berlin, Copenhagen, Helsinki, London, Oslo, and Stockholm aim to be Europe's preferred growth partner for tech-enabled and sustainable businesses.

Verdane's network will connect brands and retailers worldwide for Fashion Cloud. Fashion Cloud will benefit from Verdane's experience investing in tech-enabled companies. The new capital will improve "content" and "order," which allow retailers to access marketing material and product data from over 600 brands and order items with one click in the supplier's brand shops. Fashion Cloud will expand its automated reorder suggestions ('Smart Replenishment') and create new products. Brands can share their sustainability attributes on Fashion Cloud, promoting transparency. Retailers are adding certifications and standards to their websites and stores to help customers buy due to customer interest.



4. Aditya Birla raising primary capital from GIC Singapore

The board of Aditya Birla Fashion and Retail Limited ("ABFRL") agreed to issue preferential shares and warrants to an affiliate of Singapore's sovereign wealth fund ("GIC") to raise up to Rs.2,195 Cr. GIC will buy shares and warrants for Rs. 770 Cr. now and up to Rs. 1,425 Cr. when warrants are exercised over the next 18 months. GIC will hold 7.5% of ABFRL after the investment. Aditya Birla Group will own 51.9% after this transaction.

ABFRL plans to use this money to accelerate its growth engine, which is based on its current businesses and a fast-changing bet on new high-growth business models.

Aditya Birla Fashion and Retail Ltd.

ABFRL belongs to ABG. India's leading pure-play fashion powerhouse has an elegant bouquet of leading fashion brands and retail formats. On 31 March 2022, the Company had 3,468 exclusive stores, 6,515 department store points of sale, and 28,585 multi-brand outlets in India. It houses 25-year-old brands Louis Philippe, Van Heusen, Allen Solly, and Peter England. Pantaloons is famous in India. Van Heusen dominates innerwear and athleisure.

The Collective, India's largest multi-brand retailer of international brands, has exclusive partnerships with Ralph Lauren, Hackett London, Ted Baker, Fred Perry, Forever 21, American Eagle, and Reebok. Jaypore, Tasva, and Marigold Lane sell ethnic wear. Shantanu & Nikhil, Tarun Tahiliani, Sabyasachi, and House of Masaba are strategic partners of the company. ABFRL is developing Direct-to-Consumer fashion, beauty, and lifestyle brands. Brands.com is scaling up to build an integrated portfolio of digital assets to provide an immersive customer experience, deepen brand connect, and expand into emerging consumer segments.

About GIC

GIC is a leading global investment firm founded in 1981. GIC manages Singapore's foreign reserves and invests globally across asset classes and active strategies. Listed equities, fixed income, real estate, private equity, venture capital, and infrastructure. GIC's long-term approach, multi-asset capabilities, and global connectivity make it a top investor. GIC, headquartered in Singapore, employs 1,800 people in 10 financial centers and invests in over 40 countries.

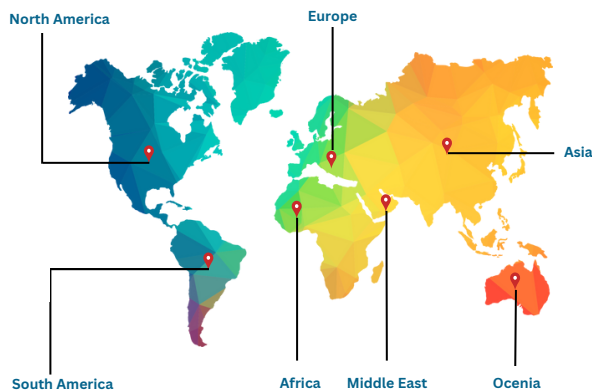
HOW WE CAN HELP ?

Our team comes up with unique and creative legal and compliance solutions that meet the needs of each client. Our experts give advice and represent designers, fashion companies, retailers, etc. from all over the world. We also work with the fashion community to teach them the simple steps they need to take to protect intellectual property, improve brand value, and help with commercialization. By offering the following services, we help our clients recognize, protect, and use their rights and interests in:

- registering a trademark, a copyright, and a design.
- agreements about licensing, transfers, and franchises.
- agreements between the manufacturer, vendor, supplier, and distributor.
- agreements about modelling, endorsements by famous people, advertising, and marketing.
- agreements about employment, independent contractors, confidentiality, and not telling others about something.
- getting the legal licenses needed by labour laws, labelling and packaging laws, and other laws. and lawsuits and disputes, such as actions against piracy and counterfeiting, suits for infringement, product liability, consumer complaints, and notices to stop, stop, and take down.



ING CLIENTS WORLDWIDE



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Key Contact



Surendra Singh Chandrawat

Managing Partner

✉ surendra@chandrawatpartners.com

Connect Surendra on

[LinkedIn](#)

[WhatsApp](#)

[WeChat](#)

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