Which trends offer opportunities or pose threats in the European apparel market?

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Change can be an opportunity, if you act upon it. This is especially true in the apparel industry, which is built on change. It creates, interprets and follows new trends. To learn how you can use global trends to your advantage, it is important to find the right response to several key factors: legislation, technical innovation, environmental and social sustainability, market requirements and new business models. This report will tell you how.

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1. The European apparel market in 10 years

In the last 50 years, the apparel industry has gone through multiple systemic changes. In the 1970-80s, apparel production moved away from Europe to Asia where labour was relatively cheap. In the 1980s, the focus shifted to speed-to-market and production grew in production countries closer to Europe. After the year 2000, certification for fair and sustainable production became more important. During the 2010s governments realised that more was needed to make the clothing industry truly futureproof through legislation and technical innovation.

The European Union (EU) believes the transition to a sustainable, circular economy will stimulate competitiveness, innovation, economic growth and job creation. It is therefore designing legislation to help this transition to happen. The EU wants Europe to become the first climate-neutral economy and to increase its usage of circular materials to almost 25% by 2030.

To remain competitive in tomorrow's apparel industry, it will be crucial for production processes to rely less on low manual labour costs and to embrace automation. The future of the apparel manufacturing industry lies in smart, circular, fully automated manufacturing units that operate with the minimum social and environmental impact. These units will be guided by market data and respond to on-demand developments. Input materials will be based on market waste streams to minimise environmental impact.

According to the Ellen MacArthur Foundation and McKinsey, the shift to such a sustainable, circular economy will help recapture more than €400 billion in losses incurred every year and also reduce the negative environmental impact of the sector.

2. European buyers face ever stricter sustainability requirements – and you will too

Sustainability is not a choice. Many social and environmental sustainability requirements have become law and if you do not comply you cannot export apparel to Europe. At the same time, sustainability is a moving target. Individual companies still bear a lot of responsibility. Some buyers focus primarily on supply chain transparency and minimising their carbon footprint. Others invest mainly in working conditions and circularity. Some companies try to do it all. Select your customers wisely, depending on your chosen sustainable strategy.

Figure 1: Share your working principles with your employees by displaying them clearly on the factory floor

Source: Forward in Fashion

New legal requirements

The EU's core strategy for minimising the negative impacts of the apparel industry is a fully transparent and circular economy. The goal is a closed-loop system in which textiles and fibres retain their value for as long as possible and waste is minimised. This will require recycling, refurbishing, re-using and rethinking the lifecycle of apparel. The ideal system will have a minimal impact on the environment, be fully transparent, avoid the use of non-renewable inputs and guarantee respect for workers' rights, including a living wage.

Mandatory sustainability requirements have been getting stricter since decades, but lately the EU and national governments have increased the speed and scope of these new laws. Building on existing rules on product safety, the use of chemicals (REACH), labelling and intellectual property rights, new import regulations relate to areas such as Due Diligence, Reporting, reducing carbon emissions, anti-deforestation (for leather), Extended Producer Responsibility, the right to repair for end-consumers, the (intentional) use of microplastics and 'greenwashing'.

Note that some of these new regulations still apply only to bigger companies (CSDDD and CSRD), and some do not yet apply to textiles (CBAM for carbon emissions). The new legislation on microplastics does not yet apply to the shedding of microplastics from apparel made with synthetic fibres. However, the general direction is clear: the EU and national governments want to tighten their control over the entire value chain: from production to use and end-of-life. EU companies must comply and as a supplier, so must you.

Table 1: Opportunities for reducing social and environmental impact in each step of the apparel value chain

Value chain step	Social impact	Environmental impact

<table>
<tr><td>Raw material production</td><td rowspan="6">Respecting local labour laws

Eradicating forced, bonded or involuntary labour

Not allowing factors such as race, caste, national origin, religion, age, disability, gender, sexual orientation, marital status, union membership or political affiliation play a role in the recruitment, payment or promotion of employees

Respecting the legal standard working week, fair pay for overtime

Paying the legal minimum wage, working towards a living wage

Banning child labour

Providing a safe and healthy working environment</td><td>Organic/ regenerative production
Energy-efficiency and renewable sources
Water efficiency and renewable sources
Biobased materials
Animal welfare
Recycling</td></tr>
<tr><td>Spinning, weaving or knitting</td><td>Energy-efficiency and renewable sources
Recycling post-production waste</td></tr>
<tr><td>Dying, bleaching and finishing</td><td>Reducing chemical inputs
Use of eco-bleach and dyestuffs
Wastewater treatment
Reducing air emissions</td></tr>
<tr><td>Design</td><td>Design for durability
Design for circularity</td></tr>
<tr><td>Ready-made garment production</td><td>Energy efficiency and renewable sources (solar, wind, biogas)
Recycling post-production waste</td></tr>
<tr><td>Packing and transport</td><td>Biobased, recycled materials
Material efficiency: reducing packaging
Renewable energy use</td></tr>
<tr><td>Data collection and reporting</td><td>Transparency
Digitalisation
Measuring and sharing impact data
(third-party) Certification</td><td>Transparency and traceability
Digitalisation
Measuring and sharing impact data
True pricing
(third-party) Certification</td></tr>
</table>

Tips:

- Read the CBI study on Buyer requirements for an extensive overview of the legal, non-mandatory and niche requirements you will face as an exporter of denim to Europe.
- Read the CBI studies on Sustainable Cotton, Recycled Fashion and The sustainable transition in apparel and home textiles for more information on sustainable apparel production.
- The CBI studies Tips to go green and Tips to become more socially responsible provide practical guidance to prepare yourself for (future) sustainability legislation by making your factory fairer and more sustainable.

3. Buyer requirements for sustainable production are becoming ever stricter

The apparel industry is one of the most environmentally harmful industries in the world, and this is clearly visible in polluted production areas. Meanwhile, end markets struggle with large amounts of apparel waste. Both buyers and manufacturers must re-evaluate and adjust their sourcing strategies. Manufacturers who can secure sustainable material sources and offer solutions for European buyers to meet new consumer demands and comply with EU-regulations have a competitive advantage.

Legal measures in the EU

The following new EU legislations will shape the apparel industry:

- EU Green Deal: This initiative aims to achieve climate neutrality and foster a circular economy. It encompasses various policies and actions to promote sustainable practices across sectors.
- Extended Producer Responsibility (EPR, 2023): This legislation makes producers responsible for managing and mitigating the environmental impact of their products throughout their life cycle. They are required to establish systems for the collection, recycling, and disposal of products, in order to encourage a shift towards more sustainable production and consumption.
- Corporate Sustainability Reporting Directive (CSRD, 2023): The CSRD imposes stricter reporting requirements on companies, including those in the apparel sector, regarding their performance on 'ESG' criteria (environmental, social, and governance factors). The directive aims to enhance transparency and accountability in corporate sustainability efforts.
- Anti-Greenwashing Law (2023): The Anti-Greenwashing Law combats misleading or false environmental claims made by companies. It seeks to ensure that sustainability-related claims are accurate, substantiated and transparent, thereby fostering consumer trust and promoting genuine environmental responsibility.
- Product Environmental Footprint (2024): This upcoming legislation aims to establish a standardised methodology for assessing and labelling the environmental impact of (apparel) products. It intends to provide consumers with reliable information so that they can make sustainable purchasing decisions.
- Digital Product Passport (2023/2027): The Digital Product Passport initiative aims to enhance transparency and traceability throughout the product life cycle by capturing and sharing relevant product information in digital form. This will enable consumers and stakeholders to access comprehensive details about a product's environmental impact, sustainability attributes, and origin.

Consider the following steps to reduce your environmental impact.

- Source more sustainable materials. Apparel factories will need to reduce their environmental impact by using materials that are more environmentally friendly, such as organic cotton or recycled and biodegradable synthetic fibres. The growing demand for organic cotton and recycled polyester underpins this need. For both materials, demand already exceeds supply, which can make it difficult to secure sources. See Modint's Fiber Matrix below for an overview of sustainable materials.

Figure 2: Modint's overview of sustainable materials

Source: Modint Fiber Matrix. © Modint

- Make your production more environmentally friendly in order to reduce impacts and production costs. The most important measures include:
    - reducing the use of fossil fuels or 'grey' electricity by investing in energy-efficient machinery;
    - replacing environmentally harmful energy sources with renewable sources such as solar, wind or biogas;
    - reducing the use of fresh water by investing in more efficient wet processes and water treatment and recycling techniques;
    - reducing the use of chemicals by investing in more efficient wet processing;
    - replacing harmful chemicals with eco-friendly alternatives.
- A crucial step in apparel manufacturing is measuring your carbon footprint. There are several approaches to calculating this, including assessing the footprint of a factory, a product, or an entire supply chain. Numerous online tools are available to assist in this process. These tools provide convenient and user-friendly platforms to estimate and analyse environmental impact.

Commonly used online tools include:

Carbon Footprint: This tool allows you to calculate the carbon footprint of various aspects, including individual emissions, business emissions, and travel emissions. It provides recommendations for reducing your company's carbon footprint.

Carbon Calculator by Carbon Trust: The Carbon Calculator offered by Carbon Trust helps individuals and organisations to measure their carbon emissions across different sectors such as energy, waste, and travel. It offers guidance on carbon-reduction strategies.

GHG Protocol: The GHG Protocol provides a standardised methodology for measuring and managing greenhouse gas emissions. Their online tools and resources assist in calculating carbon footprints for companies, products, and supply chains.

World Resources Institute (WRI) – CAIT Carbon Calculator: this tool enables users to estimate carbon emissions based on their energy consumption, transportation, and industrial activities. It provides global data and allows for comparisons across countries and regions.

Tips:

Read the CBI study '7 tips to go green' for background information and practical guidance on how to make your factory and products more sustainable.

Share your carbon-reduction solutions with your supply chain partners so that they can also learn, implement and improve.

4. The shift towards a circular economy makes producers true value chain partners

The EU's efforts to shift away from the traditional 'take-make-waste' model and towards a circular economy mean that your traditional role as a supplier will change. Today, the apparel industry is still almost entirely based on the linear 'take-make-waste' model. Manufacturers use non-renewable resources and cheap labour to produce fashionable apparel items that are sold to brands, and are incinerated or go to landfill sites after use. After you have produced the order, you never see the product again.

That will change. The EU expects companies to track every aspect of production (including the raw materials you source) and the end-of-life phase. This means you will need to understand how your suppliers have produced the raw materials that you purchase. It also means that European apparel brands and retailers will continue to be responsible for their products even after they have sold them. They will also become your supplier of raw materials, in the form of post-consumer waste. A truly circular loop.

The EU is considering the introduction of an EU-wide EPR for apparel (extended producer responsibility). Some European countries have already implemented national EPR schemes. EPR places the responsibility for managing the environmental impact of a product on the importer of that product, rather than the consumer or the government. The aim is to incentivise producers to design products that are more environmentally friendly, to promote recycling and reuse, and to reduce the environmental impact of apparel items.

Figure 3: The R-ladder of circularity

The shift towards a circular economy offers opportunities for manufacturers that can:

- Minimise waste during production. Invest in automated systems for cutting patterns and improve the efficiency of material use. Non-avoidable cutting waste should be repurposed by choosing strategies higher up on the R-ladder of circularity (see above).
- Design styles that are durable and easy to reuse, repair, refurbish, repurpose or recycle. Ideally, manufacturers will play a role in remanufacturing, refurbishing and repairing end-of-life apparel. For practical tips on how to do this, check the Circular Fashion Design Guide by the Ellen McArthur Foundation.
- Take responsibility for post-consumer textiles by offering buyers the option of returning their product to be reused and recycled into new lint and fibres. An option higher up the R-ladder is providing buyers with a service to remanufacture, refurbish or repair used items.

Find out what recycling companies can do for you. Machine builder Andritz designs and delivers complete textile recycling set-ups. Recycling companies such as SOEX, Recover or Wolkat provide solutions for collecting, sorting and recycling services for many European brands. Use an online search engine to find recycling solution providers in your market. Type in 'textile' + 'recycling' + 'solution'.

- Collaborate with European brands on a leasing model. Instead of selling products, end-consumers are offered the option of leasing apparel items for a periodic fee. This means the manufacturer, brand or retailer continues to own the product, and can collect the items for recycling, remanufacturing, refurbishing, repairing or reuse. This model has been pioneered by workwear manufacturers and fashion brands such as MUD Jeans, working with Yousstex in Tunesia.
- Offer made-to-measure for the mass market. Offering buyers stock service in fabrics and trims reduces mismatches and unsold collections and increases speed-to-market. This principle is based on manufacturing according to market demand.

Tips:

For inspiration on circular business models, check out the consumer brands MUD Jeans (leasing and reusing, recycling jeans), NUDIE (refurbishing, repairing, recycling, re-using) or Eileen Fisher (refurbishing, re-using).

Read this article on Harper's Bazaar to learn more about the growing market in apparel rental services.

In an effort to evade the responsibility of EPR schemes, European buyers might ask you to deliver 'DDP' (Delivery Duty Paid) instead of FOB. This is very risky, as it will make you responsible for importing the products into Europe. It means you are considered the 'producer' in 'Extended Producer Responsibility'. This should be avoided.

Read this article by McKinsey on the economic impact of the circular economy in Europe.

Figure 4: The shift towards apparel made from recycled materials is one of the most important trends in Europe

Source: Forward in Fashion

5. European end consumers demand convenience and transparency

According to consultancy Retail Economics, online sales will account for almost half (48%) of apparel sales by 2025, compared to pre-pandemic levels of 28% in 2019. As a result of online shopping, European consumers have become accustomed to a wide choice of styles, competitive prices, very quick delivery and more information about product quality and production. Expect end consumers to become ever more demanding over the next 10 years.

- European consumers increasingly shop for fashion online, but at the same time feel overwhelmed by the amount of products on offer. As VOX magazine recently noted: trends are dead because anything and everything can be a trend on the internet. According to social media consultancy Brandwatch fashion brands and retailers need to make shopping more convenient and appealing by putting together entire outfits based on current fashion trends.
- More than 70% of end consumers expect more personalised interaction with fashion companies, according to McKinsey. The consultancy predicts three ways in which companies will respond to this trend. First, digital changing rooms that enable customers to 'try on' different styles virtually will replace physical ones. Second, thanks to AI, brands and retailers will be able to predict customer needs and preferences better.
- Help your buyers to offer full transparency to European end-consumers. Lack of regulation in the apparel industry has allowed products to be marketed as green without adequate proof that this is actually the case. According to consultancy Edited, this is finally starting to change because consumers are no longer tolerating this (and nor is the EU). Sustainability claims and goals will need to be objective and measurable in the future. Brands and retailers will need to set goals and provide full disclosure about the results achieved – good or bad.

Tips:

Try to expand your service to include collecting, cleaning and repairing/refurbishing second-hand apparel (post-consumer waste).

Try to expand the product lifecycle by designing products that are less influenced by season or trends (timeless designs) and by using high-quality, durable materials.

Share your sustainable story. This will add value to your brand and for your buyer.

6. Geopolitical instability is causing rising inflation and possibly a recession

Many different factors are affecting EU buyers' sourcing strategies: geo-political stability and the climate crisis, economic growth in Europe, the after-effects of the Covid-19 pandemic, inflation, trade policies, consumer behaviour and spending patterns. It is always wise to take into account big economic developments in your sales strategy. Europe is not the only attractive market. Economic developments might make it more beneficial to focus on local or regional markets, or other international markets such as Asia or the US.

- Economic growth affects apparel imports in Europe directly. When the European economy grows, consumer confidence and disposable income increase, leading to higher spending on apparel. In recent years, strong economic growth and rising incomes in Europe have created opportunities for apparel exporters. Many analysts now predict an economic downturn due to geopolitical instability and high inflation, which may lead to a fall in consumer spending and a rise in production costs (labour, fabrics, transport).
- At the same time, the after-effects of the Covid-19 pandemic are still being felt. Lockdowns and travel restrictions made European buyers to shift their focus from production in Asia to production sources closer to the EU, which offered more flexibility. Rising economic uncertainty will reinforce this trend.

Tips:

Focus on increased production flexibility and speed to market.

Promote your country and sector so that sourcing managers know the benefits of doing business with a specific country, and add it as a new sourcing destination.

Seek collaboration with other local manufacturers to share the costs but also sales opportunities.

7. Apparel production is shifting to new locations

The political situation in production countries and end markets can have a profound impact on the European apparel industry and buyers' sourcing strategies. As an apparel manufacturer, you have little influence on political matters, but it is wise to stay informed and respond where you can.

Political dynamics in production countries

- Europe's largest supplier of apparel, China, is now outsourcing production itself due to stricter environmental laws in China and trade disagreements between the US and China. Many Chinese apparel manufacturers have started investing in other Asian countries, such as Myanmar, Cambodia and Vietnam.
- Political tensions in production countries have a direct effect on apparel exports. Ethiopia lost its AGOA no tariff-deal with the US following civil unrest. The same happened to Cambodia, which also lost its trade deal with the EU. Myanmar still has GSP but is losing a lot of business from European buyers as a result of political issues.
- The Russian invasion of Ukraine is having serious negative consequences for the global apparel industry. The conflict is not likely to end soon. Material and energy prices have risen, trade has had to be rerouted and many European apparel brands have ceased trading with Russia.

- Many European apparel buyers are investigating alternative production locations in Africa. Several countries have invested heavily in their apparel industry (notably Ethiopia) and for some categories Africa can be a good alternative to Asia (basics in Ethiopia, outerwear in Rwanda). Due to low productivity, a lack of local materials and political tensions (Ethiopia), Africa has not yet established itself as a competitive alternative to Asia, however.

Tips:

Stay up-to-date on new legislation and discuss potential solutions with your buyers.

Identify solutions by sharing thoughts with supply chain partners.

Compliance needs to become part of your company promotion to help you to open doors and develop new business.

8. The European population in 10 years: older and more diverse

The European population is getting older and more diverse. This will change the way end consumers shop for fashion. European brands need to adapt to these changing consumer behaviours to remain competitive, and so must you.

Figure 5: The European population is getting older and more diverse. By 2050, the median age in the EU will be 48.2 years

Source: Jonny Gios on Unsplash

- Europe has an ageing population, with a growing number of older consumers. The median age in the EU-27 is projected to increase by 4.5 years between 2019 and 2050 to 48.2 years. This demographic shift will likely lead to increased demand for apparel that caters to the needs of older people. This may include clothing that is comfortable, easy to put on and take off, and designed with features that address age-related challenges such as mobility or sensory issues.
- At the same time, Europe is becoming increasingly diverse and multicultural. Most European countries have positive net migration figures and this is likely to continue. Brands that can offer a wide range of sizes, styles and designs that reflect the multicultural nature of European societies can gain a competitive advantage.
- Younger generations in Europe, such as Millennials and Generation Z are known for actively seeking out sustainable fashion. As they grow older and gain more purchasing power, these generations may bring their mindset to the mainstream and increase the demand for sustainably produced apparel. Brands that prioritise environmentally friendly materials, fair trade practices, responsible manufacturing processes and transparency will be best positioned to tap into this market segment.
- In Europe the concept of gender fluidity and gender-neutral fashion has gained traction, particularly among younger generations. The blurring of the lines between men’s wear and women’s wear will require brands and retailers to rethink their product design, marketing, and in-store and digital shopping experiences.

Tips:

Changing consumers mean changing demand. Monitor, observe and identify new niche markets with mainstream potential.

Adapt your collection to your target consumer.

Promote and share your vision and strategy online, on your website and on social media.

9. Technology will make apparel production and sales more efficient

New technologies are transforming the apparel industry in several ways. Self-monitoring and self-learning software and machines exchange data to coordinate the production process and match the supply to market demand. The aim is a value chain that is more transparent, less labour-intensive, more efficient, more flexible and more cost-effective than ever.

Figure 6: Laser-cutting pattern machines can reduce labour and save material

Source: Forward in Fashion

- Automation and robotics can handle tasks such as fabric cutting, sewing, and pattern-making with precision and speed. Automation reduces labour costs, improves efficiency, and allows for increased production capacity. It also enables customisation and flexible manufacturing by integrating digital design and production systems.

A truly digitalised apparel factory uses software to interconnect 'smart machines': from the material warehouse to the sampling room, cutting department, assembly line, finishing department and product warehouse.

- 3D design tools and virtual prototyping software allow designers to create, visualise, share and quickly adjust garments online, speeding up the approval process. 3D avatars can also be used to set up virtual showrooms. When applied in (online) retail, this can even allow end-consumers to choose the right apparel item (fit, shape, appearance), significantly reducing returns.
- 3D printing has long been considered a promising potential technique for producing apparel. To date, it has not delivered on its promise, but it may do so in the future. This technology may allow for the production of three-dimensional apparel items, eliminating the need for traditional cut-and-sew methods. 3D printing can enhance design possibilities, reduce waste, and enable on-demand production.
- The integration of Internet of Things (IoT) technology into apparel will create new opportunities for functionality and connectivity. Sensors and wearable devices can collect data on body metrics, activity levels, or environmental conditions. This data can be used for personalised experiences, performance monitoring, and health tracking.
- Technologies such as blockchain can improve supply chain traceability and transparency in the apparel industry. Blockchain allows every transaction to be recorded securely, ensuring transparency and accountability. The technology will enable consumers and brands to verify the authenticity of sustainability claims.

All improvement starts by measuring and monitoring data on the production floor. This can be done with software systems, but you can also start with a simple pen and paper.

Figure 7: Example of monitored data displayed on a screen

Source: Forward in Fashion

Tips:

Read the CBI study '8 Tips to go digital' for more background information and practical guidance on how to benefit from technological innovations in the apparel industry.

Identify buyers' positive and negative experiences with innovative solutions before you decide to invest.

Start building on collecting data throughout the supply chain to measure, learn and improve.

FT Journalistiek carried out this study on behalf of CBI.