

The Impact of Consumer Spending Trends on The Fashion Industry

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Abstract. Fashion is a word that gives everyone a first impression of being associated with art and taste. It may be true that it had a threshold of enjoyment long ago but does not exist in contemporary society. In the modern era of rapid economic development, the mature manufacturing industry has been able to allow everyone to enjoy the pleasures brought by fashion. Not only this, but fashion is also largely determined by the public. Therefore, this essay will explore what kind of influence consumer spending trends exert on the fashion industry as a whole, starting from the perspective of economics. This paper gets started using realistic instances to analyze the process in which fashion consumption has evolved in reaction to shifts in the broader economy. The study will subsequently examine the influence on the fashion industry and future patterns of the business as consumers transition their shopping decisions to the online platform. Furthermore, this research will specifically focus on two strategies, namely sub-brands and fast fashion brands, in order to examine how the fashion industry has reacted to shifting economic circumstances. Based on the previously mentioned investigation and analysis, it can be concluded that the development of the fashion industry is heavily reliant on the economic conditions. The procedure for reaching this conclusion will be thoroughly discussed below.

Keywords: Fashion industry; spending trends; online shopping; sub-brands; fast fashion brand.

1. Introduction

As society progresses, the quality of people's lives is also gradually improving. Due to evolving economic circumstances, fashion is no longer the exclusive preserve of the affluent. It has become pervasive across the entire socioeconomic spectrum. In the past, since high quality clothing and accessories often required expensive materials and fine craftsmanship, which means that they were quite high cost to produce. These were historically affordable only to the nobility and the wealthy. Nevertheless, the circumstances have shifted, and the realm of fashion has permeated the lives of a larger population due to the complex influence of industrialization, globalization, and technological progress. For instance, the industrial revolution introduced mass production methods that significantly decreased the manufacturing expenses of fashion products. Additionally, the Internet and social media have dramatically expedited the dissemination of knowledge, thereby making the idea of fashion universally accessible without any limitations. These indicate that fashion consumption is now closely tied to the swings of the economic cycle, implying that the actions of the majority of consumers have a significant impact on the state of the fashion industry. The authors of the study outline various consumer habits that individuals display in reaction to economic cycles. Hampson demonstrated the correlation between the general economic condition and consumers' economic choices. For instance, during a recession, individuals tend to reduce their expenditure on costly garments and instead opt for more affordable alternatives, to fulfill their consumer needs [1]. Thus, it can be deduced that during times of economic prosperity, customers experience a rise in their spending power, leading to a robust demand for non-essential fashion goods. However, conversely, during a recession, customers exhibit greater prudence in their consumption of non-essential goods and their spending diminishes, resulting in a direct adverse effect on the fashion industry. The fashion industry has changed in a variety of different ways to accommodate these shifting and evolving consumer preferences. Primarily, the fashion industry has adjusted to the digital era by transitioning consumption habits to e-commerce and giving greater attention to the impact of social media. Furthermore, the fashion business has experienced internal reorganization and advancement. In recent

decades, there has been a rise in fast-fashion firms that are affordable and adept at keeping up with the latest trends. Furthermore, numerous luxury brands have introduced more reasonably priced subsidiary brands. These changes demonstrate the fashion industry's capacity to adapt and stay viable despite shifting customer demands. This article will expound upon the impact of the economic cycle on the fashion industry and the corresponding measures taken by the fashion industry in response.

2. Evolution of Consumer Spending in Fashion

As was pointed out earlier, the notion of fashion is not static but has had an evolutionary progression. Aspers summarizes the historical significance of fashionable apparel as a symbol of class differentiation in an article that examines the concept of fashion from a sociological perspective [2]. For instance, the primary function of fashion houses, established two centuries ago, was to offer personalized services to individuals of elevated social standing [3]. Nevertheless, as production capacity improves and total buying power increases, the motives for consumption based on fashion are progressively transforming into a reflection of one's lifestyle [2]. Currently, fashion is no longer limited to a select group of individuals, but rather accessible to the general public due to their purchasing power. How does the modern economic situation impact the fashion industry?

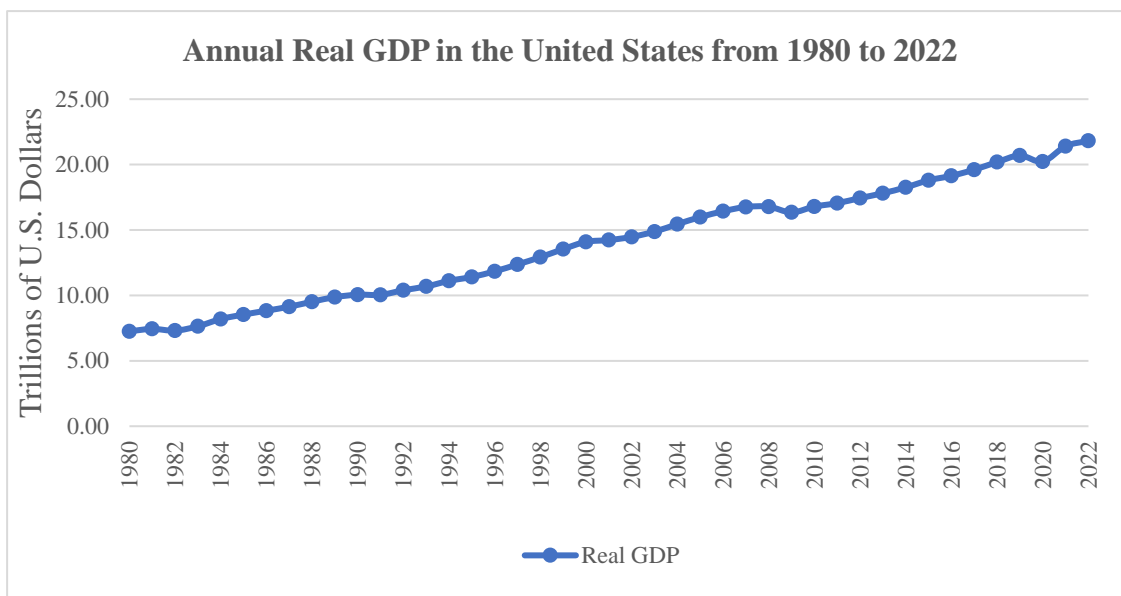


Fig. 1 Annual real GDP in the United States from 1980 to 2022 (in trillion U.S. dollars)

Data From: <https://www.statista.com/statistics/1031678/gdp-and-real-gdp-united-states-1930-2019/>

Figure 1 displays the real Gross Domestic Product (GDP) of the United States during the past few decades. This graph provides a detailed overview of the economic conditions and fluctuations throughout specific time intervals and in general [4]. This data can facilitate the analysis of the fashion industry's change over the same time frame and provide more insights into the correlation between consumer trends and the fashion sector. During the 1980s, the United States experienced a consistent economic rise, which played a crucial role in the growth of the fashion industry. According to Ledezma's article, the combination of globalization and technological progress has led to a substantial reduction in manufacturing costs [3]. This has sparked a greater interest in fashion among consumers, which has consequently given rise to the emergence of fast-fashion firms [3]. Consequently, the general population's ability to achieve their desire for fashion has been facilitated by the combined impact of a positive economic climate and lower price levels. At the same time, the economy and the fashion sector have experienced parallel growth, propelled by aggregate consumption. Consumer spending in an economic boom is not the only thing influencing the fashion business; the economy can also negatively affect the fashion industry. Figure 1 also exhibits the most current economic

recession that occurred in the recent time. This recession began in 2020, which is also the year that COVID-19 was initiated [4]. During this period, people were unable to leave their homes, and brick-and-mortar establishments were compelled to close their doors. The retail industry, including the fashion industry, was severely impacted. In her published work, Sarah G. Alzahrani, an assistant professor of fashion marketing, points out that during a pandemic, US customers tend to become more cautious and put their budgets towards necessities rather than stylish items [5]. During a single month, the retail sales of fashion apparel plummeted by over two-thirds [5]. Therefore, an elementary conclusion can be obtained from the two specific instances stated above. The conclusion drawn is that consumer trends fluctuate following the economic cycle, while the growth and decline of the fashion industry are positively correlated with the cycle.

3. The Influence of the Thriving Internet Growth on the Fashion Industry

This section will mainly concentrate on analyzing the changes in consumers' purchasing habits in recent years in order to accurately determine their influence on the fashion industry. This article states at the beginning that the introduction of the Internet has significantly transformed the operations of the fashion business. First and foremost, the most noticeable development is the rise of online commerce. This transformation has completely transformed the field of retailing, as an increasing number of traditional retailers are now establishing their online platforms and even abandoning their conventional brick-and-mortar stores. The current growth of this phenomenon can be attributed to two primary factors: the attraction of remote shopping for consumers and the rapid expansion of online purchases due to the emergence of COVID-19. Undoubtedly, purchasing online has a multidimensional attraction to customers. According to a survey performed on the Polish market, researchers indicate that the majority of people prefer online shopping due to its time efficiency, convenience, and greater product selection [6]. To accommodate and meet the changing demands of consumers, an increasing number of brands are progressively transitioning to online businesses. In addition, the pandemic that began in 2020 played an important role in the widespread adoption of online shopping. Due to the closure of physical stores, the fashion sector, which mainly depends on in-person sales, has been pushed to consider transitioning to online sales [5]. Recently, researchers claimed in their articles that the fashion industry is at the forefront of doing online sales [6]. What is clear is that consumers' spending trends are pointing the way for the fashion industry when faced with operational decisions.

Another significant influence that the Internet has had on the fashion industry is the growth of social media and the impact of celebrity effect. After years of progress, social media has evolved beyond its original purpose of socializing and communication. Fashion companies have now recognized its potential as a tool for company promotion and marketing. Utilizing social media for commercial activities can indeed be a particularly efficient method of conducting business. The results of a survey conducted by Grebowiec, which indicate that a significant proportion of users utilize many social media platforms, including Facebook, Instagram, and TikTok, to gather information about upcoming buying decisions [6]. Furthermore, the consumer decisions of these individuals are significantly impacted by Internet marketing messages [6]. This demonstrates the brand's effective utilization of the promotional capacity of social media and captures the fact that users will use social media frequently. Secondly, the Internet has also brought a bunch of internet celebrities into this era. Typically, these online celebrities attract a certain number of followers by creating and sharing their content, which provides them with a particular level of influence. Fashion firms may improve their ability to reach potential target customers by collaborating with internet influencers that match their style. According to research, internet influencers who collaborate with fashion brands through endorsements have a substantial effect on brand sales. The key factor allowing this impact is the trust established between the influencers and those who follow them [7]. The previous examples demonstrate that the Internet is unconsciously affecting the preferences of

individuals when it comes to consumption, and the fashion industry is consistently adapting its business strategies according to the characteristics of the Internet.

4. The Response of the Fashion Industry

The fashion industry has adopted several strategies to respond to shifting consumer preferences and economic cycles, this section will concentrate on analyzing two of them. When a fashion brand faces challenges like an economic downturn or financial difficulties, it may choose to implement internal decomposition as a strategy to increase the variety of its products. Specifically, certain high-end luxury brands will introduce more affordable sub-brands to attract a broader range of customers and boost their sales. According to the investigation, Stankeviciute analyzed the approaches used by three luxury companies in introducing sub-brands. They claim that despite the potential risk of weakening the brand's power, such strategies remain beneficial in accomplishing the goal of increasing brand revenue and attracting a larger consumer base [8]. The core of this strategy is to increase the number of clients by reducing the price of merchandise to attain the goal of profitability. Another prevalent method employed in the fashion business, similar to the abovementioned strategy, is the creation of fast fashion brands. Before presenting this method, some data about fast fashion brands are worth paying attention to.



Fig. 2 Fast fashion market value forecast worldwide from 2021 to 2027(in billion U.S. dollars)

Data from: <https://www.statista.com/statistics/1008241/fast-fashion-market-value-forecast-worldwide/>

Figure 2 integrates current data with future market value predictions for the fast fashion business, indicating that the fast fashion market is expected to sustain growth and exhibit bright prospects in the future. The essay about quick fashion discusses the motivations behind people's purchases of fast fashion and highlight two primary advantages of fast fashion products [9]. Firstly, these products are economically priced and affordable to a wide range of consumers [9]. Secondly, they can immediately capture and produce current trends in fashion, which satisfies people's desire to pursue trends [9]. The above facts illustrate that fast fashion is a business model that successfully caters to contemporary consumers seeking affordable fashion. In addition, it demonstrates the fashion industry's robust capacity to adjust to the current economic downturn. Therefore, it can be understood that the fashion sector is intimately connected to the decisions made by consumers.

5. Conclusion

First, as economic cycles fluctuate, the fashion industry undergoes corresponding changes. Second, since consumption serves an important part of the economy, it also leads to variations in people's consuming behaviors. Whether it is the shift to e-commerce or the use of the internet for marketing, it is a reflection of the fashion industry's ongoing adjustment. Additionally, the industry is adapting to market conditions and consumer demand by implementing internal modifications in addition to utilizing outside factors. In conclusion, recognizing the strong connection between contemporary fashion industry and the economy, it is crucial for the fashion industry to be sensitive to shifts in consumer preferences in order to adapt to unforeseen fluctuations. Although it is difficult to accurately predict changes in the economy, the fashion industry can prosper in an environment that constantly changes by quickly reacting to events. For example, the current prevalence of Artificial Intelligence can be utilized to enhance the online shopping experience for fashion brands. By staying updated with trends and adapting to changes, everyone in the fashion industry can attain sustained success.

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