# 2024 Retail trends

3 things you need to plan for.

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# 1. Seeking growth

The retail industry starts this year with a big hangover. McKinsey's State of Fashion 2024 report notes that *consumers' net intent to spend on apparel is -16% across the US, Europe and China in the fourth quarter of 2023.*[1] Many retail sectors remain extremely vulnerable to consumer shifts and disruption.
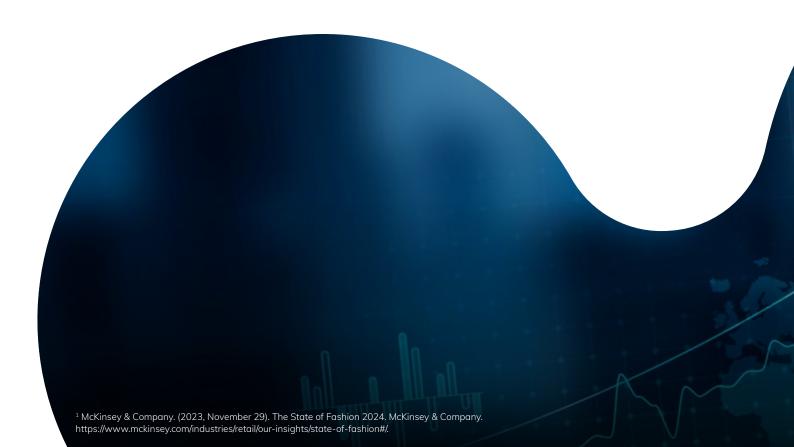
But there is optimism this year for retailers committed to navigating challenges and capitalizing on growth opportunities—including new channel enablement, geographic expansion, product expansion in traditional mono-brands, and greater direct-to-consumer (DTC) capabilities.

## Consumer confidence

Inflation is still in control of discretionary spend going into 2024. Pressure on household incomes is expected to dampen demand, especially in apparel, and prompt trading down across categories. This will be a key factor in 2024 planning.

To counterbalance these challenges, retailers can pursue a two-pronged strategy:

- Engage in agile planning strategies that accommodate volatile discretionary spending patterns, particularly in the apparel sector.
- Align to customer shopping missions, as McKinsey reveals 51% of retail executives anticipate consumer confidence will critically influence strategies. This means getting laser focused on assortment, pricing & promotions, and availability.

[1] McKinsey & Company. (2023, November 29). The State of Fashion 2024. McKinsey & Company.
https://www.mckinsey.com/industries/retail/our-insights/state-of-fashion#/.

# Supply chain disruption

Three core trends will define retail supply chain in 2024:

**1** Greater industry collaboration through knowledge sharing.

**2** Better understanding of the need to gather primary data at product level
(rather than assumptive planning).

**3** Leveraging of new data.

Supply chain disruption is not going away. Proposed *by McKinsey, by 2030 it is predicted that extreme weather events could jeopardize $65 billion worth of apparel exports.*[2] A resilient supply chain is vital as the industry prepares for more disruption.

This year, retailers can build resilience by focusing on these strategies:

- Construct a collaborative retail ecosystem to share knowledge and foster collective resilience.
- Commit to proactive data acquisition at the product level to stay ahead of potential disruptions.
- Employ advanced data analytics to foresee and counteract potential risks.

[2] McKinsey & Company. (2023, November 29). The State of Fashion 2024. McKinsey & Company.
https://www.mckinsey.com/industries/retail/our-insights/state-of-fashion#/.

# 2. Convergence

Retail is set for a transformative year in 2024. The convergence of traditional retail models and AI will deliver superior customer outcomes and profitability. This is the year when retailers will get real about AI with the prize of intercepting customers exactly when it counts—this is now within their grasp. How should retailers embrace the 'convergence' opportunity?

## Leverage your digital core

While data is being created at every step on the customer journey, leveraging this information effectively to enhance decision-making remains a challenge for many retailers. The convergence of their digital core-data, SaaS, and AI-with evolving customer expectations will enable retailers to optimize a myriad of stubborn problems relating to profitability while managing customer expectations.

## Adaptive retail

The convergence of old and new retail tech will also create more adaptive retail models. Retailers can now shift from traditional seasonal planning to a more dynamic, always-on approach. Instead of relying on historically well-performing products, fabrics, price points, and planning models (based on two seasons), retailers can start adopting more dynamic planning. These enhanced models constantly assess and test what's working well in their stores to identify and introduce new products and collections based on real-time consumer signals.

While this will not be an easy shift for retailers, it's a necessary one that is accomplishable by applying the proper tools and a mindset to think outside of the box. Those who do not adapt to this new way of thinking will be faced with the painful reality of not having the right products in the right channels at the right time based on real-time customer needs.

## AI, AI, and more AI

AI is not about altering the foundational customer problems we've known, but rather enriching the solutions retailers develop. As customer challenges remain constant, generative AI creates a more robust solution and opens doors to new problem-solving capabilities.

The adoption of generative AI in the fashion industry is set to revolutionize the sector and drastically cut time to market. This innovative technology is demonstrating substantial benefits in retail, particularly in streamlining the sourcing process through rapid trend analysis and ideation. Generative AI enables more effective product merchandising by leveraging a wide range of dynamic customer attributes and offering a more customer-centric planning approach. Additionally, it provides enhanced support in the supply chain through detailed research, aiding in the careful selection of and negotiation with trading partners. This holistic integration of generative AI is not just a trend but a transformative force, redefining efficiency and creativity in fashion retail.

It's imperative for retailers to harvest ALL available data from the customer journey; unused customer touch-point data is a better decision left on the table. To maximize the opportunity, retailers can pursue building a robust **decision framework**.

# AI: Next steps

Developing a robust decision framework can identify feasibility, value, and effort for likely wins and opportunities for adopting AI within the business. While some retail AI use cases are technically feasible, they represent marginal gains. It's imperative to look more broadly at internal (adoption) and external readiness (i.e., *is it part of the customers' shopping mission?*).

# 3. Purpose

Moving beyond omnichannel to fully adopting ESG (Environmental, Social, and Governance) into retail operations will ensure 2024 has a renewed sense of purpose in delivering bottom-line results and differentiated retail experiences.

## Differentiated retail experiences

Omnichannel is evolving, fast. But the emphasis this year is back to basics—what's the purpose of the store? With *63% of US consumers preferring online shopping*[3], physical stores must differentiate by offering unique experiences. Envisioning every store as a flagship location with a distinctive purpose is crucial. It's no longer just about commodity but also about creating value. The modern store experience is the key to differentiated retail experiences. With hyper-personalization on the agenda in 2024, retailers will need to get their assortment and offers in store aligned or the gap between the customer and store will grow.

## No more greenwashing

Consumers will no longer tolerate greenwashing from the fashion industry. In terms of impact, retail is one of the biggest industries affecting the environment, accounting for *10% of annual global carbon emissions*[4] according to UNECE. That is more than all maritime shipping and international flights combined. Until very recently, retailers could get away with superficial nods to sustainability, but those days are coming to a swift end. Instead, consumers will demand full transparency and will only buy from brands based on how good their supply chain is in its ethical practices and approach to compliance.

The first step for retailers on the path to sustainability will be to operationalize decisions around buying. Instead of focusing on profit margins, retailers will need to make the buying process more three dimensional while considering which options have a smaller carbon footprint.

[3] Howland, D., & Peterson, L. (2024, January 23). Every store is a flagship. Retail Dive. https://www.retaildive.com/news/every-store-flagship-shopping-ecommerce-NRF/705277/#:~:text=In%20a%20WD%20Partners%20survey,day%20or%20making%20a%20return.
[4] United Nations Economic Commission for Europe. (2018, July 12). UN Alliance aims to put fashion on path to Sustainability. UNECE. https://unece.org/forestry/press/un-alliance-aims-put-fashion-path-sustainability.

# Summary

Growth, Convergence, and Purpose are essential planning dimensions 2024. Here are the quick wins you can achieve to best position your business in 2024:

## Merchandise financial planning

Get your strategy aligned to growth plan opportunities throughout the entire merchandising life cycle. Using scenario planning to drive planning is highly effective at managing volatility and provides the financial control required to manage profitable growth at scale.

## Range and assortment

Sharpen range and assortment to fine-tune profitability and drive growth, ensuring alignment with consumer demands. Reduce inventory depth and get aligned to customers with purpose.

## Allocation and replenishment

Boosting control and refining inventory management, with a nod to the enduring importance of on-shelf availability, allocation and replenishment is a key component of better sell-through and margins in 2024.

## Demand planning

Execute with purpose. Leverage more precise ML (Machine Learning) demand forecasts, understand the demand factors that matter. Perfect demand, align promotions and events to curate demand and achieve plan across all channels using the full picture of demand.

## Data

Retailers continue to grapple with the question of how much data is sufficient for Intelligent Planning—a query that suggests an underlying misconception about the adaptability of modern planning solutions and platforms. The truth is you probably have what you need for better decisions. Start now.

**These focal areas are not mere suggestions but imperatives for retailers aiming to excel in the complex landscape of 2024. Adopting these practices will position retailers not just to survive but to thrive in an increasingly competitive and unpredictable market.**

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