Fashion CopyPortfolio™
An eToro Investment Strategy
How Has Covid-19 Impacted the Fashion Industry?

Fashion: An Enormous Industry That Is Growing Quickly

What's Driving the Growth of the Fashion Industry?

Investing In Fashion
Fashion: An Enormous Industry That Is Growing Quickly

Few areas of the retail industry are as dominant as that of fashion. Worth over $700 billion, the fashion industry is big business, and it is only likely to get bigger in the years ahead.

For investors, the fashion industry is creating some amazing opportunities right now. Many well-known companies within the industry such as Nike, Lululemon, and LVMH have enjoyed strong growth in recent years and are showing no signs of slowing down.

The fashion industry is huge and growing at a rapid rate.

According to Statista, global fashion revenue totalled $525 billion in 2019, up from $360 billion in 2017. That represents growth of approximately 46% in just two years.

Looking ahead, the industry is expected to continue growing at a fast pace. Between now and 2025, experts expect the industry to grow at a compound annual growth rate (CAGR) of 8.6%, resulting in total global revenue of over $1 trillion by 2025.
What’s Driving the Growth of the Fashion Industry?
There are a number of reasons the fashion industry is experiencing such powerful growth right now.

**Technology**

The first is technology. In recent years, advances in technology have propelled fashion in a number of ways, taking the industry to new heights.

Take social media, for example. Thanks to platforms such as Instagram, Facebook, and YouTube, fashion is now far more interactive than it was in the past — when it was presented to us through glossy magazines and catwalk shows — meaning consumers are now much more connected to their favourite brands. In addition, as our dependence on social media grows, we are being influenced by what we see online more, which is boosting demand for clothing and accessories. Ultimately, social media has changed the face of fashion as we know it.

Advances in e-commerce technologies such as shopping functionality and payment technologies have also made it far easier to purchase fashion goods online. For example, through Instagram’s ‘checkout’ function, users can now make a purchase immediately without leaving the platform. Meanwhile, payment companies such as PayPal have made the online shopping experience more secure and reliable.

Furthermore, advances in data analytics have not only enabled fashion retailers to tailor their marketing efforts, which has helped to boost sales, but they have also helped improve inventory management, which has increased profitability.

In addition, the ability to sell online has enabled fashion retailers to reduce the number of physical stores they operate, which has lowered costs and boosted profits.

Overall, technology has had a huge impact on the fashion industry over the last decade and it looks set to continue driving the industry forward in the years ahead.
Rising wealth in the East

Another key growth driver for the fashion industry is the rising level of wealth across the East. With incomes in countries such as China and India increasing rapidly, consumers have shifted their focus from essential goods to more discretionary items such as fashionable clothes and accessories.

Today, China now generates the most fashion revenue globally, with sales in 2020 expected to reach $349 billion — nearly three times the amount of sales in the US.

Fashion: China is driving demand

Global Revenue — Top 5

Looking ahead, demand from China is expected to continue to grow at a fast pace between now and 2024.

The growing demand for fashion in China

Revenue in the fashion segment amounts to US$348,700m in 2020
Dominant fashion trends

Finally, powerful fashion trends are also driving growth of the industry.

One example of such a trend is ‘athleisure’ — casual clothing that is designed to be worn both for exercising and for general use such as yoga pants, leggings, and sweatpants. This fashion trend has arguably captivated consumers more than any other over the last decade due to the increasing focus on health and wellbeing, and companies at the heart of the trend such as Nike, Adidas, and Lululemon have benefitted.

In 2018, the athleisure market was valued at around $155 billion, however, by 2026 it could be worth nearly $260 billion, according to industry experts. That represents an annualised growth rate of nearly 7%.

“The global shift towards more active lifestyles continues to accelerate and demand for athletic products is high,” said Nike CEO Mark Palmer in 2019.

Another big trend that is related to that of athleisure is the high demand for athletic footwear (sneakers/trainers). Across the world, sales of designer sneakers are booming right now. In the US, for example, sales of athletic shoes are close to surpassing sales of formal shoes. Today, sneakers can be found anywhere from boardrooms to the catwalk.

In 2019, global sales of athletic footwear came in at around $67 billion, however, in the years ahead, the market is predicted to grow at a rate of over 7% per year. This means that sales of athletic footwear could be worth close to $100 billion by 2025.
How Has Covid-19 Impacted the Fashion Industry?

Covid-19 has impacted the global fashion industry in several ways.

Firstly, it has accelerated the shift to online shopping. With malls and stores across the world closed during the pandemic, consumers were forced to buy their clothes online. The result was about five years’ worth of online growth in about six months. Looking ahead, online shopping is only going to become more popular. Online fashion retailers such as ASOS, and brands with a strong online presence, should benefit from this trend.

Secondly, it has changed the way people dress. With more people now working from home after the pandemic, demand for comfortable ‘loungewear’ clothing such as joggers and leggings has skyrocketed. At the same time, demand for office wear, such as suits and smart shoes, has declined. With the work-from-home trend set to accelerate in the years ahead, demand for comfortable clothing is likely to remain elevated.
Investing in Fashion

Given the growth of the fashion industry, it stands to reason that the sector is likely to present many opportunities for investors in the years ahead.

Picking stocks in this sector, however, has its challenges. For a start, the fashion industry is very broad and encompasses a wide range of product categories including business wear, casual wear, sportswear and athleisure, lingerie and undergarments, footwear, fast fashion, and accessories.

There are also many different sub-sectors of the fashion industry, including:

- Department stores
- Specialist stores
- Online retailers
- Fast fashion retailers
- Off-price retailers
- Brands
- Conglomerates (which own a number of brands)

In addition, the fashion industry is highly competitive and trends can be very fickle. Fashions can come and go very quickly, meaning that it is hard to predict what will be popular tomorrow. Even the best analysts on Wall Street can miss trends that give specific fashion retailers a sales boost.

Ultimately, picking just one or two fashion stocks for a portfolio is a risky strategy as there is a high level of stock-specific risk. A more sensible approach is to invest in a thematic portfolio that offers diversified exposure to the sector.

eToro's FashionCopyPortfolio: Exposure to the World's Top Fashion Companies

To help investors gain exposure to the fashion industry, eToro has structured a portfolio that tracks a number of the world's leading fashion stocks. Designed to offer long-term investors the chance to capitalise on the growth of the fashion industry while minimising stock-specific risk, this investment strategy offers exposure to a diverse selection of global fashion companies across a wide range of sub-sectors and product categories. These include luxury apparel, business and casual wear, sportswear and athleisure, sports footwear, and accessories.

For those looking for portfolio exposure to this exciting, dynamic sector, eToro's FashionCopyPortfolio offers an innovative and cost-effective way to invest.

Add FashionPortfolio to your Watchlist
Your capital is at risk
For more information regarding CopyPortfolios, contact: copyportfolios@etoro.com

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