OXFORD ECONOMICS

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FASHION COUNCIL GERMANY

THE STATUS OF GERMAN FASHION

EDITION 02

Foreword

FASHION COUNCIL GERMANY, NOVEMBER 2024

The fashion industry in Germany is a unique reflection of our cultural identity, a blend of traditional craftsmanship and technical innovation, history and forward-thinking creativity. It is a vibrant cornerstone of our society – shaping trends, creating jobs, and driving change. However, the change we so urgently need, must be designed in a more sustainable, respectful, and future-oriented manner.

With the publication of the second edition of our study on the status of German fashion, we aim to take a decisive step in this direction. Our collaboration with eBay Germany and Oxford Economics provides us with valuable, up-to-date insights into the challenges and opportunities facing the fashion industry – especially at a time when the effects of the COVID-19 pandemic are still with us, and digital transformation is in full swing. The study makes it clear: It's time to set the course for a sustainable future.

A sustainable system in fashion is no longer a distant dream but an urgent necessity. The call for a responsible industry is growing louder – not only from consumers but also from politics and businesses themselves. Nevertheless, while the demand for sustainably produced goods is increasing, we face the challenge that many consumers are still unwilling to pay higher prices, even though the desire for change is high. Here, collaboration is key: the fashion industry, policymakers, and, most importantly, the end consumers must work together.

The fashion industry must fundamentally change its way of thinking – from a „Take, Make, Dispose" model to a circular system that preserves resources and extends the product lifecycle. Implementing circular economy principles requires not only innovative materials and design concepts but also new business models that promote the reuse and recycling of clothing. This is not only an ecological necessity but also an economic opportunity for companies that want to position themselves as pioneers in a future-oriented fashion industry.

A successful transformation of the fashion industry requires more than just technological innovations and digital transformation – we must also invest in the traditional craft professions that form the foundation of our industry. The artistry behind the production of high-quality fabrics, precise tailoring, and unique designs must not be lost. Innovations, as important as they are, can only reach their full potential when built on these artisanal foundations. The combination of traditional craftsmanship and modern technologies is the key to a future-proof fashion industry. Therefore, we must drive both digitalization and the strengthening of craft professions to secure the long-term innovative strength of the industry while preserving our cultural and technological identity.

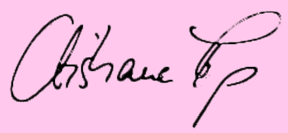
It is up to us to build bridges and provide the necessary education. We must not use the term sustainability merely as a buzzword – we must bring it to life. Consumers must gain insight into the realities behind sustainability claims and learn how to make choices that contribute to a better future. Similarly, companies must take responsibility and communicate transparently about how they are truly changing their production processes, without falling into the trap of greenwashing.

The pandemic has exposed many weaknesses in our globalized fashion world – from the fragility of supply chains to the need to rethink our production strategies. But it has also shown us the opportunities of accelerated digitalization, which must now be seen not only as a future trend but as a necessary condition for the industry's further development. Investments in digital transformation offer not only potential for new business models but also for more resource-efficient and sustainable production.

We must unite in taking responsibility and actively lead the shift towards a more sustainable fashion industry. It's time to raise awareness of the ecological and social impacts of fashion production and view this as an opportunity to transform the entire industry for long-term sustainability.

We are convinced that through cooperation, innovation, and the courage to embrace change, we can create a fashion industry that is ecologically, socially, and economically sustainable. Let's embark on this journey together - with vision, responsibility, and determination. The future of fashion begins today.

Christiane Arp, Chairwoman of the Board
Scott Lipinski, CEO, Fashion Council Germany



Executive summary

Germany is a key player in both fashion production and distribution within the European Union. This updated report assesses the overall economic impact of the fashion industry on the German economy in 2023, specifically in terms of the industry's contributions to GDP, employment, and tax revenue. We also use these key figures to discuss how the fashion industry has developed since 2019.

Furthermore, we shed light on the key issues and challenges facing the sector, based on interviews with 18 experts and key industry representatives. We discuss the strengths and weaknesses of the sector and its ability to adapt to the emerging opportunities and risks. Moreover, we provide forward-looking recommendations.

The fashion industry is diverse and encompasses various economic sectors. As in the previous study, we define the industry this year as an amalgamation of the following subsectors:

- Manufacture of textiles for fashion production
- Manufacture of clothing and footwear
- Wholesale and retail of fashion products
- Fashion magazines
- Fashion advertising
- Fashion education

In addition to products such as clothing and shoes, we also consider accessories, bags, and jewellery.

€70 BN: TOTAL CONTRIBUTION OF THE FASHION INDUSTRY TO GERMAN GDP IN 2023.

THE FASHION INDUSTRY MAKES SUBSTANTIAL CONTRIBUTIONS TO GERMANY'S ECONOMY...

The fashion industry stimulated a total GDP contribution of around €70 billion in 2023. Of this total, the fashion industry itself contributed €29 billion in gross value-added (GVA) to GDP. Procurement spending by the industry in other economic sectors stimulated €23 billion and consumer spending by employees another €18 billion in GVA. This includes employees working in the fashion industry, as well as those working in the industry's supply chain. For every €100 contributed by the fashion industry itself, it supported an additional €140 of GVA in the rest of the German economy.

1 MILLION: TOTAL JOBS ASSOCIATED WITH THE FASHION INDUSTRY IN GERMANY IN 2023.

We also estimate that the fashion industry supported around 1 million jobs in 2023. Of these, around 620,000 were in the industry itself. A further 210,000 jobs were supported in the industry supply chain and another 180,000 by employees spending their incomes elsewhere in the economy. This means that for every 100 jobs in the fashion industry, a further 63 jobs were supported in other sectors.

The fashion industry has also contributed significantly to tax revenue in Germany. The industry stimulated around €36 billion in tax revenue, of which €23 billion was paid directly by the fashion industry. The majority of tax payments were made in the form of sales and wage taxes. Further tax revenues totalling €7 billion and €6 billion were supported by procurement expenditure and wage-financed consumer spending, respectively.

... BUT IS STRUGGLING WITH THE CHALLENGES OF RECENT YEARS.

Despite its overall importance for the German economy, the fashion industry has not yet recovered from the past few years, which were characterised by the Covid-19 pandemic and high inflation. The fashion industry, centred around the production and distribution of consumer goods, has been particularly affected by the decline in demand in recent years. We estimate that the industry generated around 12% less GVA in 2023 than in 2019, after adjusting for inflation. The fashion industry's overall contribution to GDP also fell by 10%, again adjusted for inflation.

Employment in the fashion industry has also fallen sharply. In 2019, the industry itself employed an estimated 770,000 people, but in 2023, the number has contracted by 20%. This corresponds to a loss of one in every five jobs.

In line with the lower GVA and lower employment in the fashion industry, tax expenditure stimulated has also fallen in 2023. After adjusting for inflation, the fashion industry's total tax contribution (including tax payments stimulated by procurement and consumer spending) was around 10% below the 2019 level.

THE INDUSTRY IMPRESSES WITH QUALITY, INNOVATION, AND SUSTAINABILITY ...

Even in 2023, no country enjoyed greater consumer confidence in its fashion products than Germany. The durability and quality of its products are among the greatest strengths of German fashion; major German sporting goods manufacturers are world-famous and among the largest fashion companies in Europe.

The German fashion industry has also recognised important future trends. The experts surveyed pointed out that numerous companies in Germany are increasingly focussing on sustainability and transparency in the supply chain. This contributes to German companies being internationally perceived as future-oriented and responsible. In addition, innovation in the development of new fibres and textile machines is one of the industry's strengths, which supports international competitiveness. This focus on sustainability and innovation provides the German fashion industry with future growth opportunities.

However, high production costs are hampering growth in the German fashion industry. As supported by the majority of experts, the high costs have led to production costs being outsourced abroad. This contributes to a loss of expertise and jeopardises the innovative strength of the German fashion industry.

Compared to other countries, the German fashion industry also lacks cultural anchoring. The domestic industry tends to hold a lower status than other countries, such as France and Italy, where fashion houses and designers are more deeply ingrained in the culture. Among other things, this lack of recognition makes it difficult to recruit skilled labour and talent. A growing shortage of young talent also jeopardises the future profitability of the industry.

... BUT FACES LONG-TERM CHALLENGES.

Our interviewees named two key long-term developments that the fashion industry must adapt to: Firstly, as the demand for more environmentally friendly production methods grow and interest in the circular economy increases, sustainability and the circular economy are taking centre stage. Secondly, digital innovation is becoming more and more prevelant, and careful planning and investment are needed to reconcile technological advances with sustainability values and be a driver of growth.

Significant progress in the fashion industry in terms of sustainability is accompanied by challenges. For example, the EU Corporate Sustainability Reporting Directive (CSRD) has a standardised regulatory framework requiring companies to produce detailed sustainability reports. However, uncertainties regarding the implementation of the regulation present considerable challenges for companies. The move towards a circular economy presents a positive change, but it is being hampered by higher production costs and longer production times. This balance between cost pressures and sustainable practices remains a major challenge, as some consumers are unwilling to pay the premium associated with sustainability.

Digital innovations such as the Digital Product Passport (DPP), artificial intelligence (AI), and technological textile innovations are increasingly shaping the fashion industry. The DPP improves transparency and sustainability, however, it does not ensure a balance between data transparency and the protection of business interests. AI is also seen by experts as an outstanding development in the fashion industry, but it harbours risks for jobs and social inequality. While technological advances should be encouraged, their impact on people and the environment must also be considered.

„Our industry is strongly influenced by consumer emotions, which becomes particularly evident in times of global conflicts. These uncertainties have a direct impact on consumer behavior and often manifest in a reluctance to purchase.“

Gernot Lenz — CEO — Tom Tailor

THE FASHION INDUSTRY CANNOT OVERCOME THESE CHALLENGES WITHOUT POLITICAL SUPPORT.

A key recommendation from our interviewees is greater support for fashion companies in implementing sustainability strategies. While new regulations are well received, there is a lack of clear support from the government to translate these into practical measures. Initiatives such as Berlin Fashion Week are a positive example of how knowledge and inspiration can be shared and synergies within the industry strengthened. Among other things, the interviewees call for more funding opportunities for sustainability issues to establish Germany as a pioneer in this area.

Another focus is on the international visibility and appreciation of German fashion. The experts recommend more political support, partnerships, and international activities to increase the global presence. The participation of politicians in fashion events and financial support for trade fair participation are cited as examples. Funding programmes for start-ups and sustainable projects, as well as export initiatives, should be supported to ensure the success of German brands worldwide. Collaboration within the industry and across other sectors is essential to enhancing Germany's status as a globally recognized fashion hub.

Domestic production must be strengthened to regain expertise lost through offshoring. Our interviewees suggest, for example, tax adjustments to increase the attractiveness of production in Germany. They also point out the potential of the "Made in Germany" label, especially in terms of sustainability: The German fashion industry is well-positioned to advocate for responsible production. At the same time, the experts emphasise the urgency of expanding the digital infrastructure to meet the industry's future requirements. This is essential for remaining competitive in the long term.

1. Introduction

As shown in the previous study "Status of German Fashion 2021", the fashion industry makes a significant contribution to the German economy: Around 1% of Germany's GVA and employment was generated by the fashion industry in 2019.[1] Despite the continued global appreciation of the excellent manufacturing quality associated with "Made in Germany"[2], the German fashion industry has suffered due to the Covid-19 pandemic and high inflation. This is evident, among other things, in the stagnation or decline of consumer spending on fashion products in Germany, in real terms. The aim of this study is therefore to quantify the economic contributions of the industry in 2023 and to show how it has changed since 2019.

In 2023, the German fashion industry was one of the most important producers of textiles and clothing, not only in Germany but also across Europe and globally. However, according to our expert survey, the fashion industry receives less political support than other sectors of the economy. Many of the new regulations, including EU-wide regulations, are often only developed in theory, which means that many companies face challenges when trying to implement them. Linked to this, the topic of sustainability is cited by experts as one of the most important issues for the future, both as an opportunity and as a challenge. Although the potential for a more sustainable fashion industry is widely recognized, customer willingness to pay more for sustainable products has not yet reached the level needed to effectively drive these changes forward.

[1] Oxford Economics, Status Deutscher Mode 2021.

[2] According to a survey by YouGov, consumers continue to trust German products the most. YouGov, *Made in Germany – immer noch weltweites Qualitätssiegel*, 2024.

1.1 OVERVIEW OF THE STUDY

As in the previous study, this report assesses the fashion industry's contribution to the German economy, discusses the industry's strengths and weaknesses as well as its opportunities and risks, and develops relevant policy recommendations.

In Chapter 2, we show how the industry is positioned in an international setting and how it has developed since 2019. We also look at changes since the Covid-19 pandemic. Chapter 3 presents the economic contribution of the industry in Germany, comparing it with the contribution in 2019 after adjusting for inflation. In Chapter 4, we analyse the strengths, weaknesses, opportunities, and risks for the industry, and summarise these to shed more light on the current situation of the fashion industry. Chapter 5 examines the long-term challenges the fashion industry is facing. Finally, in Chapter 6, we present the recommendations identified in the expert surveys that can be used to support the industry in the best possible way.

Alongside the analyses conducted, this study features six white papers that explore various aspects of the circular economy, sustainability, and digitalization. In these papers, experts offer their insights on future regulations and outline strategies for successfully implementing them to advance the fashion industry in Germany.

WHAT IS THE "FASHION INDUSTRY"?

Our definition of the fashion industry follows the assumptions of previous studies and includes the following products and services:[3]

- Clothing (men, women, children)
- Bags and suitcases
- Shoes
- Accessories
- Jewellery and watches
- Fashion magazines
- Fashion education
- Fashion advertising

Subgroups such as sportswear and workwear are included in the clothing and footwear categories.

To estimate the economic importance of the fashion industry, we follow the industry classifications used in official statistics[4] and analyse the following industries:

- Textile manufacturing (insofar as the manufactured goods are used for fashion)
- Manufacture of clothing and footwear
- Other fashion production (accessories, jewellery, etc.)
- Fashion wholesale
- Fashion retail
- Advertising and marketing services used by the fashion industry
- Magazine publishing (mainly fashion magazines)
- Higher education (mainly fashion schools)

[3] Considering previous studies by Oxford Economics and British Fashion Council, The Value of the UK Fashion Industry, 2012; and Oxford Economics and Fashion Council Germany, Status of German Fashion 2021.

[4] Detailed descriptions of these sectors and their use can be found in Appendix 2.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2. The German fashion industry in the global economy

2.1 GERMANY'S PLACE IN THE GLOBAL FASHION ECONOMY

Germany maintains its position as one of the world's leading industrial producers and continues to play an important role in the fashion sector within the European Union. The GVA of the German clothing industry reached around €2.6 billion in 2022[5], securing Germany's position as the second largest producer in the EU, behind Italy.[6] On a global level, however, the German fashion industry remains relatively small, accounting for just 1.5% of the global GVA of clothing manufacturers. It lags significantly behind China, which dominates the sector with 42% of the world's total GVA.[7]

The textile industry also plays a prominent role in Germany. With a GVA of €3.8 billion in 2022, Germany is once again in second place behind Italy, where the industry generated €5.9 billion in GVA.[8] In addition, Germany is a leader in the production of machinery for textile, clothing, and leather processing: In 2023, this sector achieved a GVA of €1.7 billion, putting it in first place within the EU. In addition, around 22,000 people were employed in this sector[9].

The German fashion industry continues to be closely integrated into the global market. In 2022, Germany exported an estimated €136 billion in textile products and ranked third among the world's largest textile exporters, after China and Vietnam.[10] Germany also ranked third as an exporter of clothing, while it was the world's fourth largest exporter of shoes. The most important buyers of German textiles and clothing were in neighbouring countries such as Poland, France, the Netherlands, and Italy, but also the US.[11]

Germany was also a major importer of these products in 2022. With import values totalling €53 billion and €63 billion, respectively, Germany ranked second in the world for imports of clothing and footwear as well as textiles. Most of the imported fashion goods came from China, Bangladesh, Poland, Italy, and the Netherlands.[12]

Germany also plays a major role for the industry as a consumer goods market. As one of the largest economies in the world, Germany has one of the strongest consumer goods markets for fashion. In 2022, German consumer spending on clothing and shoes totalled €76 billion, returning to pre-Covid-19 levels for the first time.[13] This makes Germany the largest fashion consumer market within the EU and the sixth largest worldwide; only consumers in the US, China, India, the UK, and Japan spent more on fashion goods in 2022.[14]

Adjusted for inflation, however, German consumer spending remains significantly below pre-crisis levels (-10%).[15] This suggests that the German fashion industry has continued to lose a large part of its sales market and is therefore facing major challenges—some of which are cyclical—despite its economic importance.

[5] While this study examines the socioeconomic impact of the fashion industry in 2023, not all data were already available for 2023. We therefore analyse the current available data in this chapter.

[6] Eurostat, Structural business statistics 2024.

[7] Oxford Economics, Global-Trade-Datenbank basierend auf United Nations Commodity Trade Statistics Database, 2024.

[8] This comparison of GVA in the textile industry also considers to a considerable extent textiles that are not related to clothing and fashion, as more detailed data are not available. However, as in the previous study, we have excluded the following subsectors, which are probably the least related to clothing: Manufacture of cordage; Manufacture of carpets; Manufacture of items such as towels, sheets, and bed linen (made-up textile goods excluding apparel).

[9] Eurostat, Structural business statistics 2024.

[10] Oxford Economics, Global trade database based on the United Nations Commodity Trade Statistics Database, 2024.

[11] ibid.

[12] ibid.

[13] Eurostat, Annual National Accounts database, 2024. According to Destatis, consumer spending on clothing (nominal) only recovered in 2023 and in 2022 was still 2.3% lower than spending on clothing in 2019 (Destatis, National Accounts - Fachserie 18, 2024).

[14] Oxford Economics, Global-Economics- Database, 2024.

[15] Oxford Economics, Global-Economics- Database, 2024. The calculation is based on a GDP deflator of 90.10 in 2019 (2022 = 100).

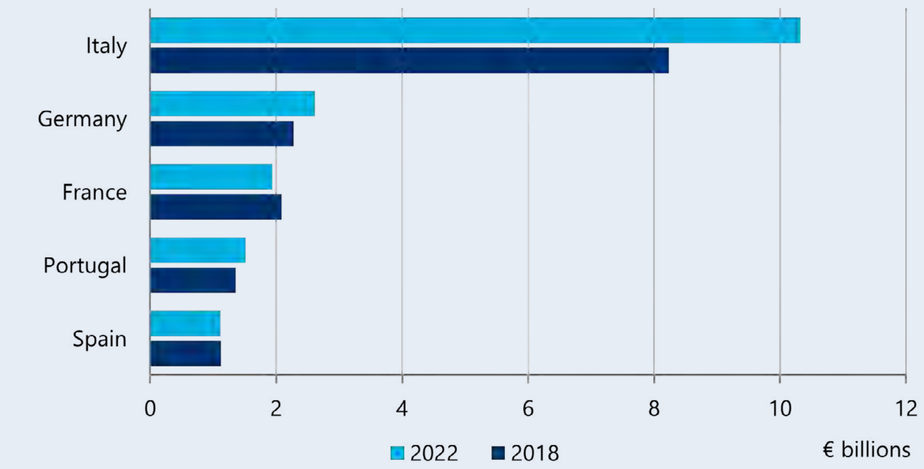


Fig. 1: Gross value added of the clothing sector in the top five countries of the EU, 2018 and 2022, in current prices

Source: Oxford Economics based on Eurostat

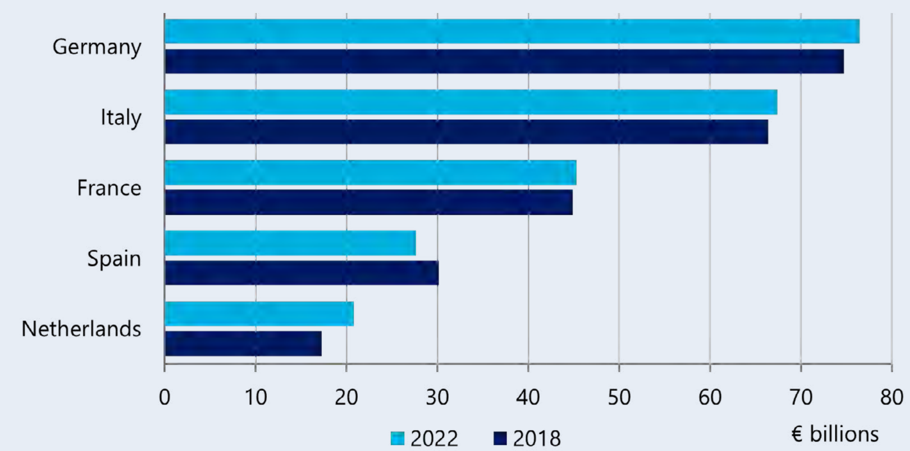


Fig. 2: Consumer spending on clothing, top five countries in the EU, 2018 and 2022, in current prices

Source: Oxford Economics based on Eurostat

2.2 THE DEVELOPMENT GERMANY'S FASHION INDUSTRY

Despite the continued importance of the German fashion industry, the production output of the German clothing and footwear industry has fallen sharply since the 1980s. As shown in the previous study, GVA in the clothing industry fell by 91% between 1980 and 2020 (adjusted for inflation), and by 55% in textile manufacturing, while GVA in the manufacturing industry as a whole rose by 46% over the same period. This development illustrates the ongoing structural change taking place in the German fashion industry.

Over the past few years, which have been characterised by Covid-19 and high inflation, this trend has intensified. In 2020, Covid-19 led to a sharp slump in GVA in both the textile and clothing manufacturing sector and the manufacturing industry as a whole. However, while the manufacturing industry recovered from this shock in the following years and is back above the pre-crisis level, the inflation-adjusted GVA in clothing manufacturing is still 10% lower than it was in 2019. After a slight increase in GVA in clothing manufacturing between 2020 and 2022, the downward trend of the pre-Covid-19 years persists.

In addition to short-term economic shocks such as the Covid-19 pandemic, clothing production is also extremely affected by offshoring. As outlined in the previous study, around 17% of textile manufacturers relocated their production capacities abroad between 2010 and 2012, and they have not moved their production back. The loss of production capacity in textile and clothing manufacturing has been the highest of all sectors. Even though some companies considered relocating parts of their production back to Germany ("reshoring") during the Covid-19 pandemic, there are no clear signs of a broad "reshoring" movement in the fashion industry to date.[17]

[17] Butollo, F. und Staritz, C., Deglobalisierung, Rekonfiguration oder Business as Usual? COVID-19 und die Grenzen der Rückverlagerung globalisierter Produktion, 2022.

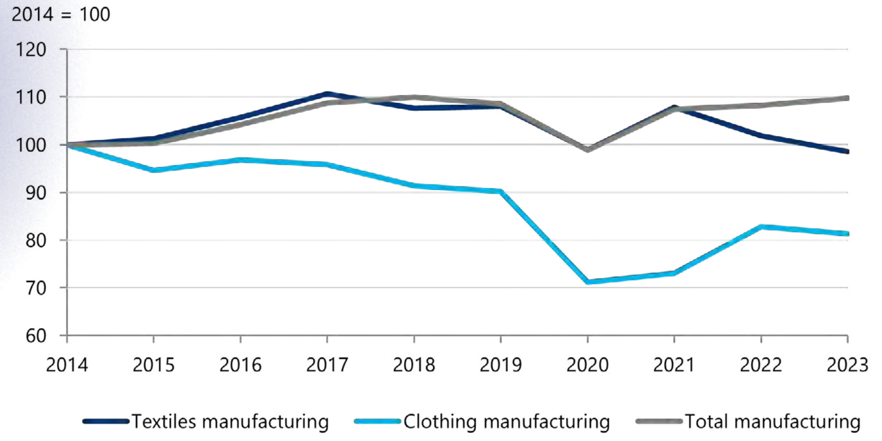


Fig. 3: Gross value added of the German clothing and textile industry[16] compared to the entire manufacturing industry since 2014, real

Source: Oxford Economics Global Industry Database

[16] For the purposes of this long-term comparison, the data cover the entire German textile industry, with no exceptions.

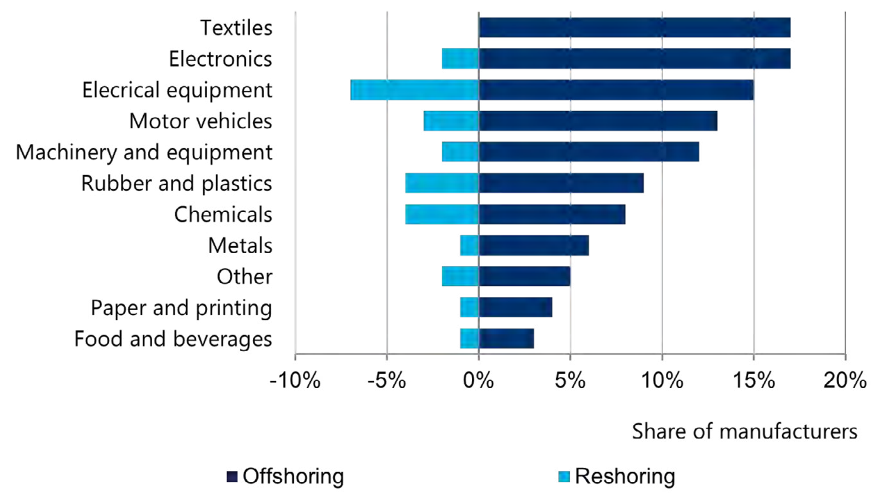


Fig. 4: Share of German manufacturers that have relocated their production abroad or back to Germany, by industry, 2010–2012[18]

Source: Oxford Economics based on Zanker et al. (2013)

[18] Zanker et al., Globale Produktion von einer starken Heimatbasis aus, 2013.

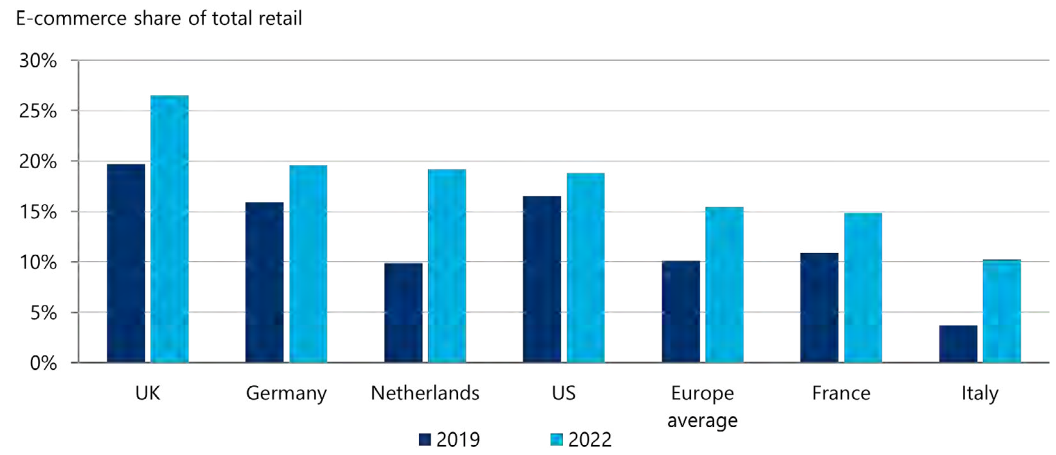


Fig. 5: Share of online sales in total retail sales in selected countries, 2019 and 2022

Source: Oxford Economics based on Centre for Retail Research

2.2.1 GERMAN FASHION AND ONLINE RETAIL

In recent years, domestic clothing production in Germany has sharply declined, with consumption experiencing a similar downturn. Consumer spending by private households on clothing and shoes in Germany fell by 6.3% (nominal) between 2019 and 2021. Adjusted for inflation, consumer spending on clothing and shoes in 2023 remained significantly below the level of the pre-Covid-19 years (-16% compared to 2019), indicating a persistent decline in demand.[19] This represents a clear reversal of the trend observed in the previous study, which recorded inflation-adjusted growth in consumer spending of 0.5% per year between 2010 and 2019.[20]

The clear shift in consumer habits towards online retail is particularly striking. Between 2019 and 2023, global e-commerce sales in the retail sector are estimated to have risen from €2.0 trillion to €3.3 trillion.[21] In Europe, the online share of retail sales has risen from 10% in 2019 to more than 15% in 2022, which corresponds to renewed growth of over 50%. Between 2012 and 2019, the online share of retail sales had already risen from 4.8% to 10.1% , meaning that the online share of sales has more than tripled since 2012. In Germany, too, the online share of retail sales has continued to increase, although the share of online sales has risen somewhat less sharply, from 16% in 2019 to almost 20% in 2022. While the share of online retail sales in Germany is therefore at the top of the EU-wide comparison, it was still below that of the UK (27%) in 2022.[23] It is noteworthy that retailers in Germany, despite the high relevance of online sales, continue to rely less on online sales than retailers in other EU countries. In 2023, around 34% of German retailers generated at least 1% of their sales through online sales, compared to 28% in 2019. This puts Germany in 14th place within the EU, behind countries such as Denmark (74%), the Netherlands (60%), and Sweden (57%).[24]

E-commerce is also becoming increasingly important in the fashion industry. The share of online sales for clothing and shoes in total retail sales of these products is estimated to have reached 27% in 2023, which represents a significant increase compared to 21% in 2019 (25%).[25] The share of online sales in jewellery and watch retail has developed in a similar way, increasing by 24% since 2019 according to the HDE's online monitor.[26]

[19] Destatis, National Accounts - Fachserie 18, 2024; and Oxford Economics, Global Economics Database, 2024. The calculation is based on a GDP deflator of 84.88 in 2019 (2023=100).

[20] Oxford Economics, Status of German Fashion 2021.

[21] Statista, Retail e-commerce revenue worldwide from 2019 to 2029, by segment, 2024; based on an average exchange rate of 1.08131 US dollars/euro in 2023 and 1.11963 US dollars/euro in 2019 (Oxford Economics, Global Economics database, 2024).

[22] Oxford Economics, Status of German Fashion 2021.

[23] Centre for Retail Research, Online Trends & Statistics for UK, Europe & N. America 2022-2023.

[24] Eurostat, database of e-commerce sales, 2024.

[25] Oxford Economics based on Destatis, Monthly retail statistics, 2024; and Destatis, Online trade is steadily gaining in importance, 2024.

[26] Oxford Economics calculations based on HDE, Online-Monitor 2024 and Online-Monitor 2020.

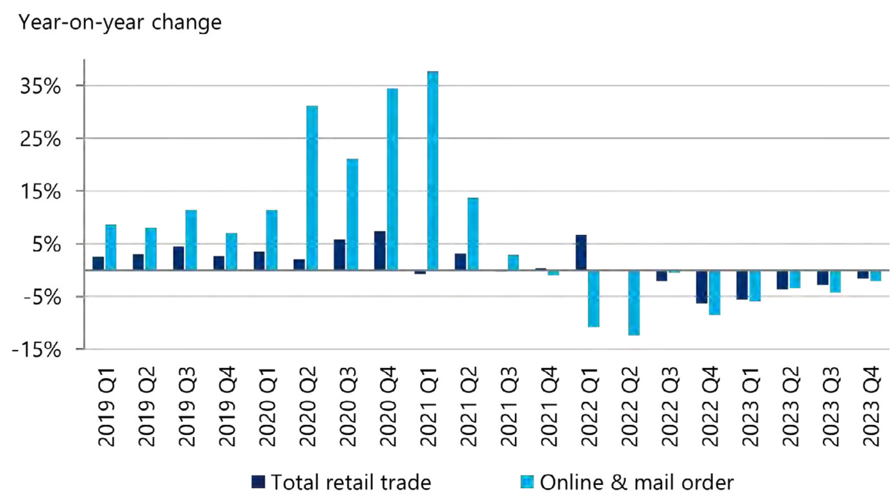
The Covid-19 pandemic was a decisive catalyst for this change. The pandemic-related lockdowns and restrictions in bricks-and-mortar retail forced many consumers to do more of their shopping online. This shift has not been reversed since Covid-19, but has instead become a permanent change in purchasing behaviour.

This also explains why online retailers' sales[27] have increased significantly more than those of the retail sector as a whole during Covid-19: In 2020 and 2021, online retailers recorded average, inflation-adjusted sales increases of 19% compared to the same quarter of the previous year, while the retail sector only recorded growth of 3%. This trend has weakened somewhat over the last two years, with online and mail order sales falling slightly below the sales levels of 2021.

In the fourth quarter of 2023, total sales of online retailers adjusted for inflation were nevertheless 19% above the pre-Covid-19 level in the fourth quarter of 2019. In contrast, the retail sector recorded a -0.7% drop in sales between the last quarters of 2019 and 2023. These figures illustrate the ongoing shift towards online retail. And this trend is even more pronounced in fashion retail: While online retailers' sales of clothing, shoes, and textiles have increased by 25% since 2019 after adjusting for inflation, brick-and-mortar retailers of clothing and shoes have recorded a 5.1% drop in sales during this period.[28]

[27] In this context, the term 'online retailer' refers exclusively to companies whose main activity consists of sales via the Internet or mail order. It does not include online sales of retailers that primarily operate retail shops.

[28] Destatis, Monthly statistics of retail trade, 2024.



Source: Oxford Economics based on Destatis

Fig. 6: Annual growth of total retail sales and sales of internet and mail order companies in Germany, real

GERMANY'S BIGGEST FASHION BRANDS

In 2022, German sporting goods manufacturers continued to dominate the German fashion market: Internationally renowned brands such as the adidas Group and Puma are the largest German fashion companies with sales of €23 billion and €8 billion, respectively.

Table 1: Sales revenues of the 10 largest German fashion brand suppliers, 2022[29]

[29] TextilWirtschaft Deutschland, Ranking: Das sind die umsatzstärksten Mode-Unternehmen. The companies included are parent companies and not individual brands.

COMPANY	BRAND	REVENUE 2022, € BILLIONS
Adidas Group	Adidas	22,5
Puma	Puma	8,5
Hugo Boss	Hugo Boss	3,7
Kik	Kik	2,2
C&A Deutschland	C&A	2,2
New Yorker	New Yorker	2,2
Takko	Takko	1,2
Ernsting's Family	Ernsting's Family	1,2
S.Oliver Group	S.Oliver	1,1
Esprit	Esprit	0,8

3. The economic impact of the fashion industry

In this chapter, we explain our analyses of the fashion industry's contribution to the German economy and compare them with the economic impact of the industry in 2019. We pay particular attention to the question of whether the fashion industry was able to recover from the effects of Covid-19 in 2023.

3.1 INTRODUCTION TO OUR IMPACT ANALYSIS

We assess the economic impact of the fashion industry on the German economy using a standardised analytical framework known as economic impact analysis. We quantify three channels of the fashion industry's economic impact:

The **direct impacts** relate to the economic activities of the fashion industry itself. They include the GVA, tax contributions, and employment generated by the companies belonging to the fashion industry.

The **indirect impacts** describe the economic activities that arise in the fashion industry's supply chain. In other words, they capture the economic activity that is triggered by the expenditure of the companies belonging to the industry at German suppliers.

The **induced impacts** include the broader economic benefits that arise from consumer spending by fashion industry employees and the domestic supply chain. For example, by paying salaries, the fashion industry supports the spending by its employees at retailers or in restaurants, which triggers further economic activity in Germany.

The three impact channels together make up the total economic impact of the German fashion industry. We measure this impact using three key figures:

GDP – specifically: the contribution of **GVA** to GDP. In simple terms, this contribution to GDP comprises the corporate profits (before taxes) and employee compensation generated in the fashion industry.

Employment – the number of jobs supported by the fashion industry.

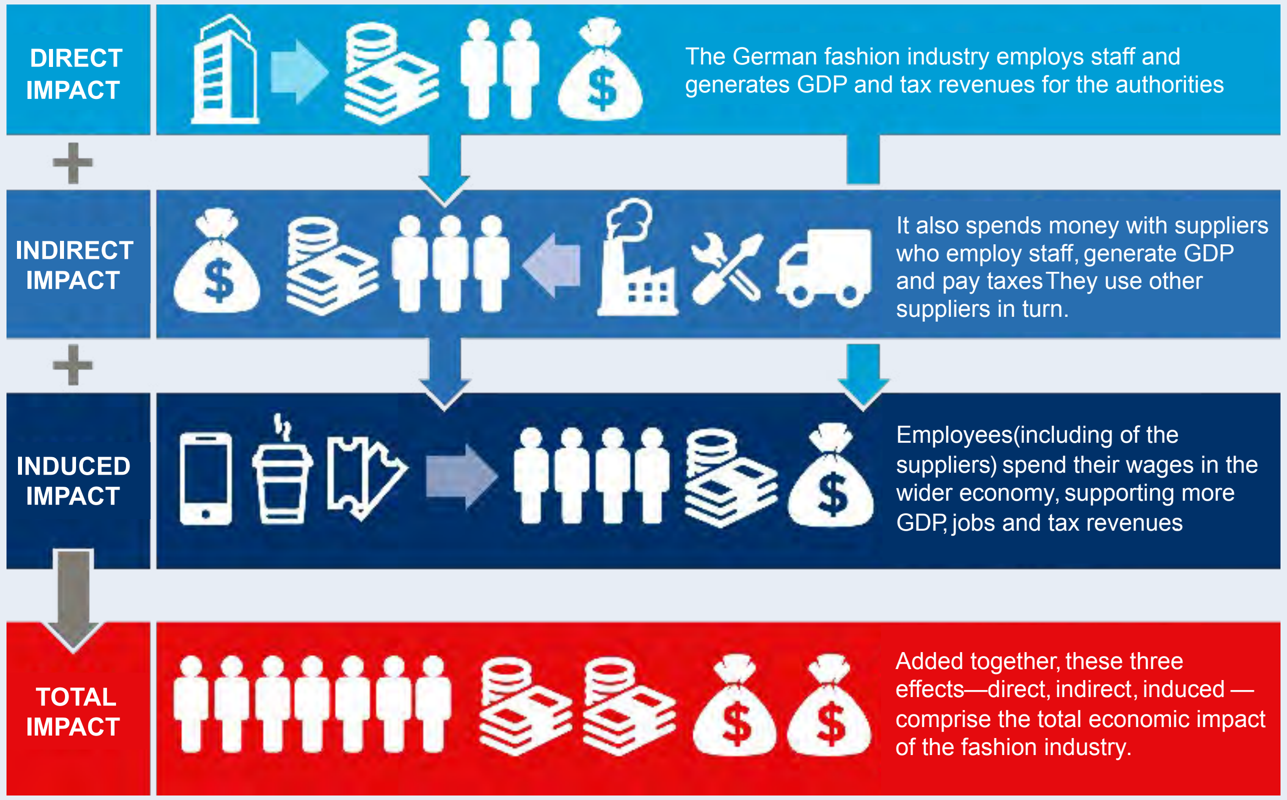
Taxes – the tax payments to the German state that are stimulated by the economic activity of the fashion industry, including sales taxes, payroll taxes, and corporate taxes.

The figures given in this study on the economic impact of the fashion industry in Germany in 2019 relate to the previous study. Slight methodological changes and the latest economic data at the deadline were used for the updated estimates of the fashion industry's economic balance sheet in 2023. Updating the previous study using new data and methodology would only mean minor changes to our estimates, meaning that the estimates presented for both years are still comparable.

THE CATEGORIES OF ECONOMIC IMPACT IN OUR MODEL

Further details on the underlying methodology can be found in Appendix 3.

Fig. 7: Channels of economic impact



3.2 THE DIRECT IMPACT OF FASHION PRODUCTION AND DISTRIBUTION

As in 2019, wholesale and retail (hereinafter referred to as "distribution") and manufacturing were the largest sectors of the German fashion industry. They form the foundation of the industry and meet the demand for fashion products by either manufacturing the products themselves or importing them from abroad.

3.2.1 DIRECT IMPACT ON GDP

According to our estimates, the manufacture and distribution of fashion products contributed around €28 billion directly to Germany's GVA in 2023, equivalent to around 1% of Germany's total GDP.[30] This means that the core areas of the fashion industry exceeded, for example, the domestic economic sectors of telecommunications (GVA of €25 billion) and publishing (€12 billion), and were only slightly below the agriculture, forestry, and fishing sector (€32 billion).[31]

Distribution was the main contributor to the €28 billion in GVA generated in the fashion industry, accounting for 82% of total GVA (fashion retail: 66%, fashion wholesale: 16%). The remaining 18% was contributed by clothing and textile manufacturing. The large share of distribution in GVA emphasises the key importance of retail for the German fashion industry. In terms of product categories, womenswear and menswear were the most important product categories in 2023, accounting for 57% of the total direct GVA contribution.

[30] German GDP in 2023 was around €4.2 trillion (Destatis, Volkswirtschaftliche Gesamtrechnung des Bundes, 2024).

[31] For comparability with the last study and other figures cited in this study, the GVA figures for the other economic sectors are based on the latest Eurostat figures (Eurostat, National Accounts Database, 2024) and were extrapolated with the corresponding growth rates up to 2023 (Oxford Economics based on Destatis, 2024).

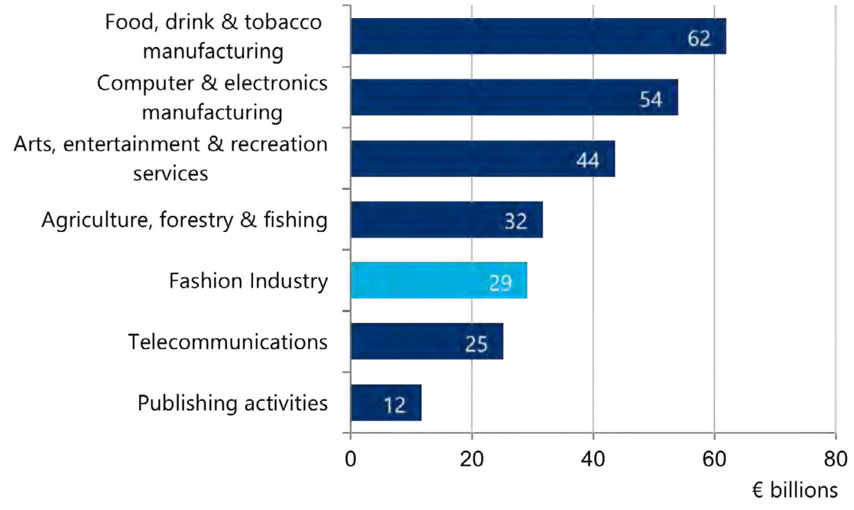


Fig. 8: Direct GVA of the German fashion industry compared to other German industries, 2023

Source: Oxford Economics based on Eurostat and Destatis

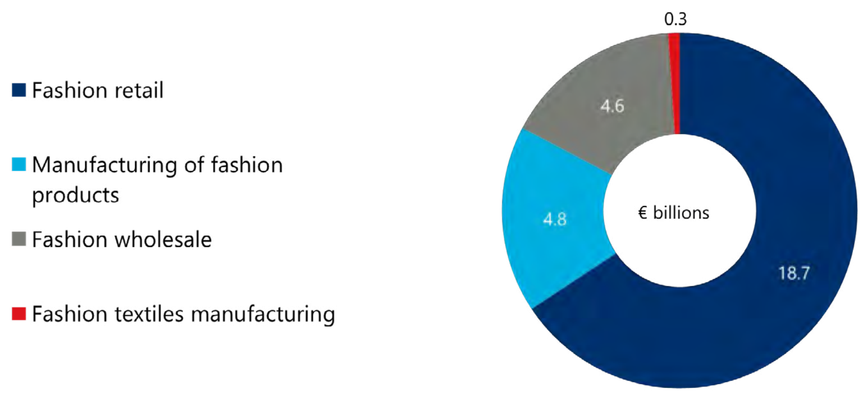


Fig. 9: Direct GVA contribution of the German fashion industry by sector, 2023

Source: Oxford Economics based on Eurostat and Destatis

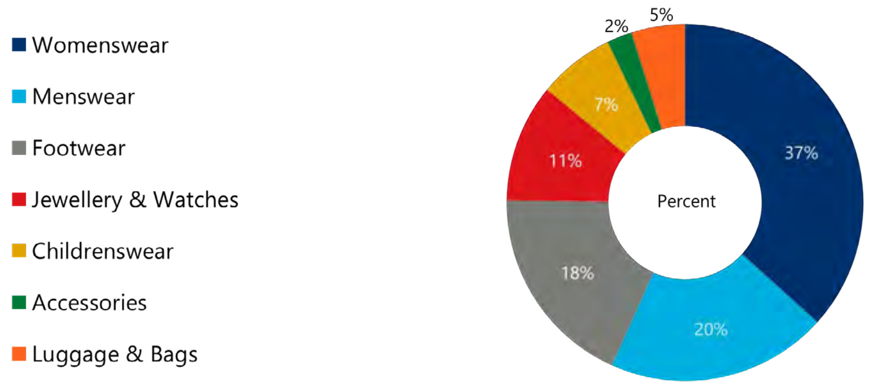


Fig. 10: Direct GVA contribution of the German fashion industry by product category, 2023

Quellen: Oxford Economics basierend auf Eurostat und Destatis

3.2.2 DIRECT IMPACT ON EMPLOYMENT

In 2023, an estimated 604,000 people were employed in the core areas of the German fashion industry, which equates to just over 1% of total employment in Germany.[32] With around 461,000 employees, or 76% of total employment in the core areas of the fashion industry, retail accounted for the largest share, underlining the high labour intensity of this sector. Fashion wholesale and the manufacture of fashion products each accounted for around 11% and 12% of the industry's workforce, respectively.

Labour productivity[33] within the various sectors of the German fashion industry varied considerably. For example, employees in the manufacture of fashion products and in fashion wholesale contributed an average of €69,000 per year to GVA. In comparison, productivity in fashion retail was around €41,000 per year. This again reflects the labour-intensive nature of the retail sector.

The productivity of all subsectors of the fashion industry was significantly below the average German labour productivity of €83,000 per year.[34] In recent years, average labour productivity in Germany has risen sharply, partly due to high inflation. The fashion industry's slower growth compared to other sectors is one of the main reasons for the large difference in productivity between the industry and the economy.

[32] Around 46 million people were employed in Germany in 2023 (Destatis, Volkswirtschaftliche Gesamtrechnung des Bundes, 2024).

[33] Labour productivity is defined as gross value added per employee.

[34] Oxford Economics based on Destatis, Volkswirtschaftliche Gesamtrechnung des Bundes, 2024.

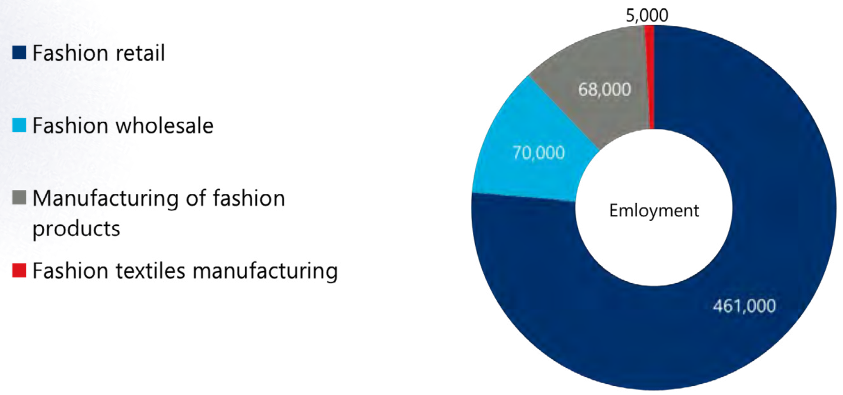


Fig. 11: Direct contribution of the German fashion industry to the labour market by segment, 2023

Source: Oxford Economics based on Eurostat and Destatis

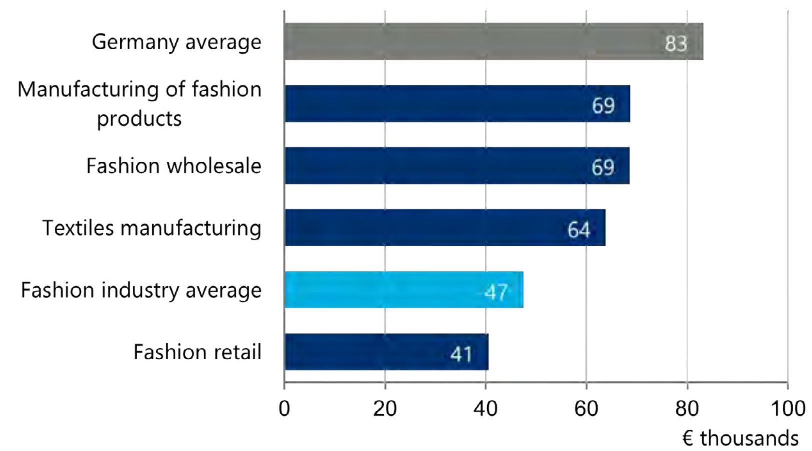
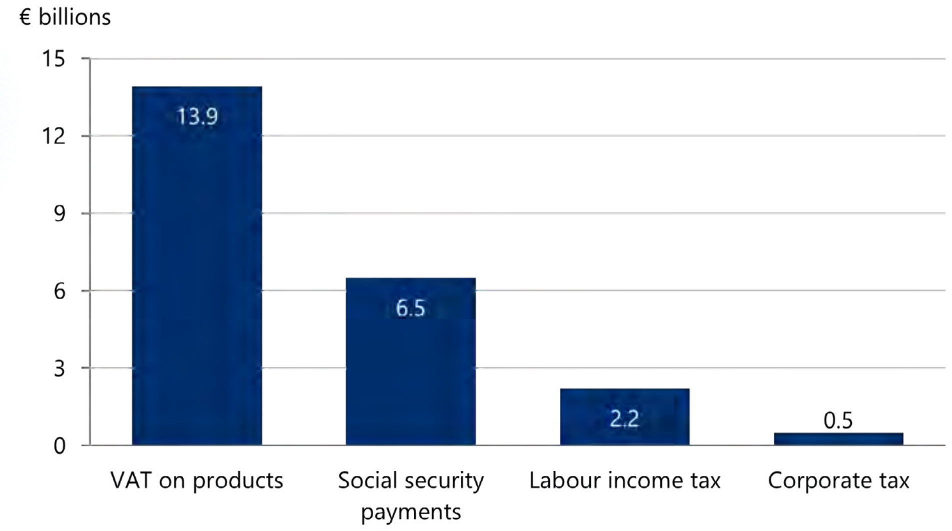


Fig. 12: Average labour productivity (GVA per employee)

Source: Oxford Economics based on Eurostat and Destatis



Source: Oxford Economics based on Eurostat and Destatis

Fig. 13: Direct contribution of the fashion industry to German tax revenue by type of tax, 2023

3.2.3 DIRECT IMPACT ON TAX REVENUE

In 2023, the fashion industry made direct tax payments totalling around €23 billion. Of this, 60% came from sales tax levied on the sale of fashion items in the retail sector. Taxes and levies on labour income, including employee and employer social security contributions and employee income tax, accounted for a further 38% of the industry's total tax payments. The remaining 2% was accounted for by corporate taxes.

3.3 OTHER DIRECT IMPACTS

In addition to the direct economic impact contributed by the distribution and production of fashion, other areas of the fashion industry, namely fashion marketing, fashion magazines, and fashion education, also make important contributions to economic performance.

3.3.1 DIRECT IMPACT OF FASHION MARKETING AND ADVERTISING

Fashion advertising plays an essential role for many companies in the industry, for example by helping other areas of the fashion industry market their products and attract new customers. Retailers are increasingly focussing on advertising services, and they stimulate an estimated 74% of fashion advertising revenue. The remaining 26% of advertising revenue is accounted for by spending on fashion services by wholesalers and manufacturers.

In 2023, advertising activities within the fashion industry contributed an estimated €672 million in GVA to German GDP and secured around 11,000 jobs. More than a third of the GVA generated came from advertising for women's fashion, followed by advertising for men's fashion and shoes at 21% and 17%, respectively.

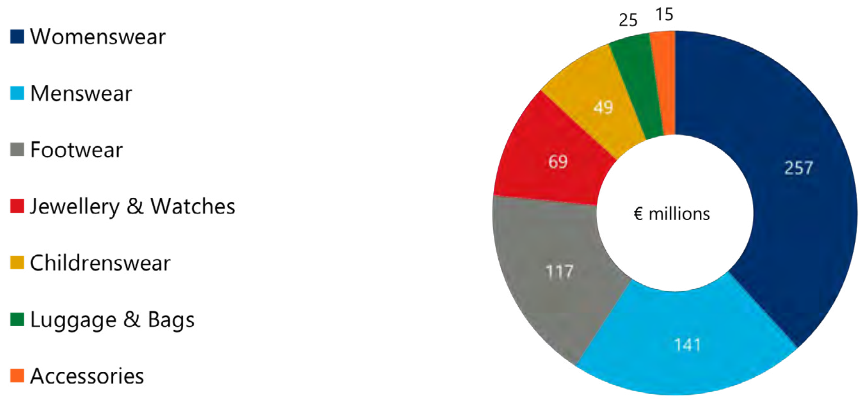


Fig. 14: Direct GVA contribution of fashion advertising in Germany by product category, 2023

Source: Oxford Economics based on Eurostat and Destatis

3.3.2 DIRECT IMPACT OF FASHION MAGAZINES

Fashion magazines are also an essential part of the industry. Despite their organisational separation from retail and production, their content is closely linked. In this study, we analysed the economic contribution of what the Fashion Council Germany considers to be the 11 most important German fashion magazines.[35] In 2023, these magazines generated combined revenues of an estimated €289 million from sales and advertising. Through their economic activity, the 11 newspapers analysed contributed an estimated €114 million directly to German GVA and secured around 1,600 jobs.

[35] The magazines considered, as in the previous study, are Brigitte, Cosmopolitan, Elle, Glamour, GQ, Grazia, Harper's Bazaar, Icon, InStyle, Madame and Vogue

3.3.3 DIRECT IMPACT OF FASHION EDUCATION

In addition, universities and technical colleges play a central role in the fashion industry by training new designers and specialists in textiles and clothing. The economic contribution created by fashion education can be measured by the salaries of teaching staff at German fashion schools. For our estimate, we used data on the study programmes Textile Design and Textile and Clothing Technology, which are closely linked to fashion education. A total of around 5,600 students were enrolled in these degree programmes in the 2022/23 academic year. Considering the total number of students, as well as average seminar sizes and academic salaries, we estimated a GVA contribution of €12 million for 2023, distributed across roughly 280 academic positions.

3.4 THE TOTAL IMPACT OF THE FASHION INDUSTRY

In addition to the fashion industry's direct contribution to the German economy, the industry supports other economic activity in Germany through its procurement spending and the consumer spending of employees (including employees in the fashion industry's supply chain). For a comprehensive estimate of the industry's overall contribution to the German economy, we must therefore also consider the contribution of the supply chain ("indirect") and consumer spending ("induced"). In this section, we describe the fashion industry's overall contribution to the German economy in 2023 and assess the (inflation-adjusted) development of the economic impact since 2019.[36]

[36] Since the previous study 'Status of German Fashion 2021' was conducted, new data and a slightly improved methodology have become available. Using this new data and methodology, the figures for 2019 would deviate slightly, but not significantly, from the results of the last study.

3.4.1 TOTAL IMPACT ON GDP

In 2023, the fashion industry's overall contribution to German GDP across all three impact channels (direct, indirect, and induced) totalled €70 billion. Adjusted for inflation, this is around 10% lower than in 2019. The industry itself contributed around 42% (or €29 billion) to this overall contribution through its direct effects. In comparison, in 2019 the fashion industry's direct contribution in today's prices was around €33 billion. In 2023, the industry's direct economic contribution is therefore estimated to be 12% lower in real terms than in 2019.

Procurement spending also stimulated a further €23 billion in GVA along the entire supply chain in 2023. In addition, the wages spent in the fashion industry and its supply chain supported a contribution of around €18 billion to German GDP. This means that for every €100 contributed directly by the industry, an additional €140 flowed into the German economy.

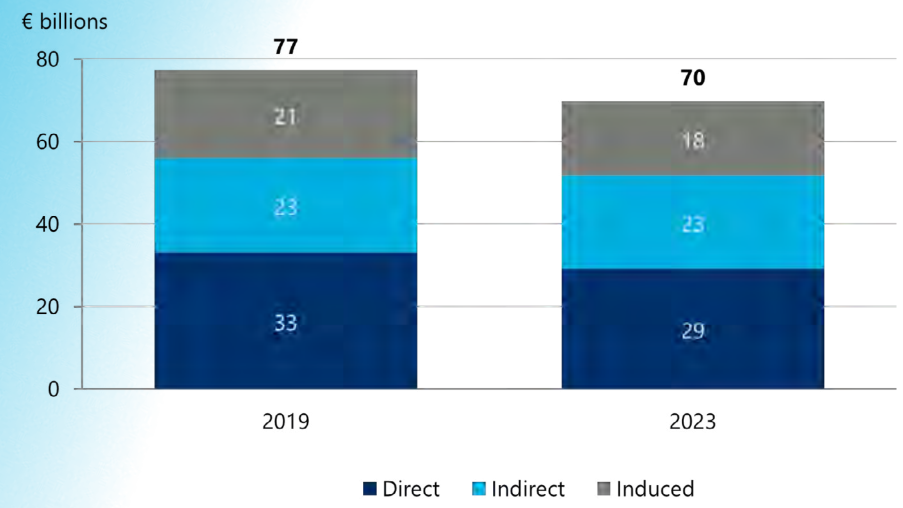


Fig. 15: Total GDP contribution of the German fashion industry, 2019 and 2023, in 2023 prices

Source: Oxford Economics

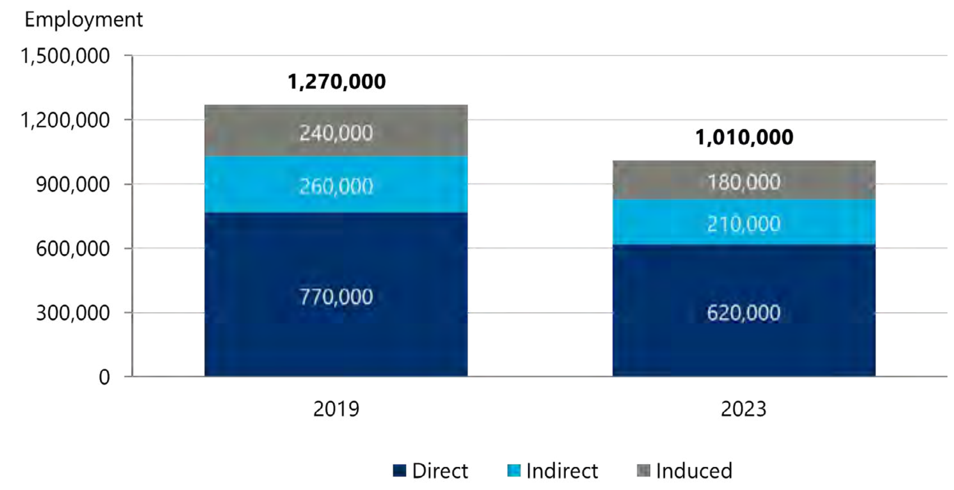


Fig. 16: Total impact of the German fashion industry on the labour market, 2019 and 2023

Source: Oxford Economics

3.4.2 TOTAL IMPACT ON EMPLOYMENT

In 2023, the fashion industry supported a total of around 1 million jobs in Germany, a decrease of 20% compared to 2019. Roughly 61% of the jobs supported were within the industry itself, with around 604,000 in production and distribution and 13,000 in fashion advertising, magazines, and training. By comparison, in 2019, the industry supported a total of 767,000 jobs, of which 749,000 were in production and distribution and 17,000 in advertising, magazines, and training sectors.

Moreover, the employment of a further 210,000 people was supported by the fashion industry's procurement spending in 2023, compared to 260,000 people in 2019. The consumer spending of direct and indirect employees sustained an additional 180,000 jobs. In 2019, this figure was 240,000 jobs. This means that for every 100 people directly employed by industry, a total of 63 additional jobs were supported in the German economy. In 2019, this figure was 65 additional jobs per 100 direct employees. Hence, although the fashion industry supported a similar number of jobs in 2023 in relation to direct employment, it supported fewer jobs in other sectors of the German economy overall, in addition to the significantly lower employment in the fashion industry.

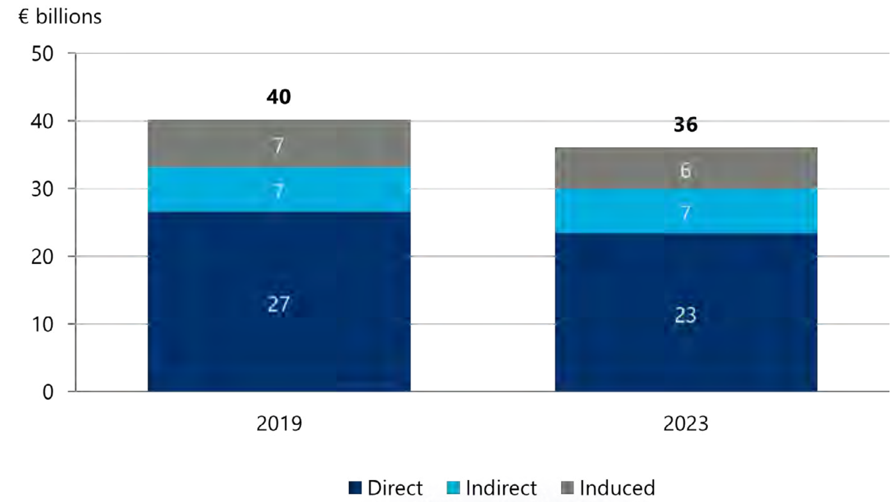


Fig. 17: Total contribution of the fashion industry to German tax revenue, 2019 and 2023, at 2023 prices

Note: Due to methodological improvements to the estimation of induced VAT contributions, the calculations on induced tax revenue differ from the previous study.

Source: Oxford Economics

3.4.3 TOTAL IMPACT ON TAX REVENUES

In 2023, the fashion industry stimulated a total of around €36 billion in tax payments to the German state across all three impact channels. Adjusted for inflation, the tax revenue stimulated by the fashion industry was therefore around 10% lower than in 2019. In particular, the tax contribution paid directly by the fashion industry (€23 billion) was significantly lower than in 2019, when the direct tax contribution in today's prices was around €27 billion.

Across the entire supply chain, the industry stimulated additional tax revenue of €7 billion in 2023. In addition, the wages paid to employees support a further contribution of around €6 billion in tax revenue. This means that for every €100 that the industry paid directly in taxes, the German state received an additional €54 in tax revenue.

SALES REVENUE OF THE LARGEST EUROPEAN FASHION BRANDS

The industry association TextilWirtschaft analysed the 65 largest European fashion brands and their global sales for 2022. We have summarised these companies in the following table. Together, all companies achieved a turnover of €282 billion. In terms of global turnover, German fashion brands were still in second place in Europe. Germany is represented by two companies in the top 10, which is a rather low presence compared to four companies from France. As in 2019, the adidas Group, Germany's largest fashion company, is at the top of the list of German fashion brands in Europe.

Table 2: Sales revenue of the 10 largest European fashion brands, 2022[37]

[29] TextilWirtschaft Deutschland, Ranking: Das sind die umsatzstärksten Mode-Unternehmen. The companies included are parent companies and not individual brands.

COMPANY	BRANDS	REVENUE 2022, € BILLIONS
LVMH	Louis Vuitton, Christian Dior, Fendi, Givenchy, Marc Jacobs, Rimowa, Dom Pérignon, Ruinart, Tiffany & Co.	38,6
Inditex	Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius	32,6
Adidas Group	Adidas	22,5
H&M	H&M, Arket, Cos, Levi's, Reebok, Steve Madden, Vans, Weekday	21,1
Kering	Gucci, Yves Saint Laurent, Balenciaga, Brioni, Boucheron, Pomellato	20,3
Chanel Group	Chanel	16,4
Hermès	Hermès	11,6
Primark	Primark	8,9
Puma	Puma	8,5
Pentland Group	Berghaus, Speedo, Mitre, Ellesse, Kangaroos	7,6


02

4. Strengths, weaknesses, opportunities, and threats

Our analysis of the economic balance sheet provides a static snapshot of the relevance of the German fashion industry. To gain a deeper understanding of the industry's future dynamics, we conducted expert interviews to shed light on the sector's prospects, strengths, and weaknesses. We interviewed 18 key figures from fashion brands, fashion fairs, retail, media, and other sectors (see Appendix 1 for a list of interviewees).

The interviewees were selected with the aim of covering as many different facets of the fashion industry as possible to obtain a comprehensive picture of the challenges facing the sector. Based on the interviews and a comprehensive literature review, we analysed the strengths, weaknesses, opportunities, and threats of the industry, also known as a SWOT analysis.

INFORMATION ABOUT THE SWOT ANALYSIS

The SWOT analysis provides a framework for evaluating current industry trends, and it can capture the main external effects influencing the development of the industry. Strengths and weaknesses describe internal factors that can influence the German fashion industry, while the threats and opportunities capture the external factors. The following diagram provides an overview of the SWOT analysis scheme.

	STRENGTHS (internal)	**WEAKNESSES (internal)**
OPPORTUNITIES (external)	How do I use these strengths to take advantage of the opportunities?	How do I overcome the weaknesses that prevent me taking advantage of these opportunities?
THREATS (external)	How do I use my strengths to reduce the likelihood and impact of these threats?	How do I address the weaknesses that will make these threats a reality?

4.1 OVERVIEW OF STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS

STRENGTH TAKE-AWAYS: QUALITY, RELIABILITY, SUSTAINABILITY

The German fashion market is characterised by its outstanding quality, functionality, and reliability, with advanced technologies playing a central role. With a large domestic market and a growing number of new talents, Germany has optimal conditions for innovation and creativity. In addition, the issue of sustainability is becoming increasingly important, allowing German fashion companies to position themselves both nationally and internationally as future-orientated and responsible players.

WEAKNESSES TAKE-AWAYS: VISIBILITY, DIGITALISATION, OFFSHORING

The German fashion industry has less cultural significance than it does in countries such as France and Italy, which leads to weak political support and international visibility. The high production costs have accelerated offshoring, which weakens expertise and innovative strength locally. Despite efforts such as Berlin Fashion Week, there is a lack of creative promotion and state support at federal level, which results in young designers not receiving sufficient support, and many move abroad. In addition, the pronounced bureaucracy and focus on data protection slows digitalisation, which further impairs competitiveness.

OPPORTUNITY TAKE-AWAYS: SUSTAINABILITY, INNOVATION, GROWTH MARKETS

Sustainability, technological innovation, and international presence offer considerable opportunities for the German fashion industry. The trend towards a circular economy, in particular, presents a significant opportunity, as sustainable solutions are increasingly in demand. Technological advances such as 3D printing, AI-supported design, and automation enable more efficient production and new shopping experiences. At the same time, the high-growth markets in Asia, Africa, and Latin America offer opportunities for expansion. Berlin could establish itself as an important international location for fashion events thanks to its creative and cultural scene, which would strengthen the visibility of the German fashion industry.

THREAT TAKEAWAYS: CLIMATE CHANGE, CRISES, ULTRA-FAST FASHION

Climate change poses a significant risk to the fashion industry, which is itself a major contributor, particularly through ultra-fast fashion. This causes enormous amounts of greenhouse gases and depletes natural resources. The industry is also suffering from a lack of young talent in the skilled trades, as professions such as tailoring, dressmaking, and shoemaking are losing their prestige, and poor working conditions are leading to a decline in qualified skilled labour. Finally, global crises are influencing consumer behaviour and causing economic difficulties for many companies and their supply chains.

4.1 STRENGHTS

HIGH-QUALITY PRODUCTION AND PRECISION: For most of our respondents, the quality, durability, and precise workmanship of products were among the greatest strengths and characteristics of German fashion. They believe that Germany's long tradition and historical heritage in fashion production, characterised by high quality standards and industrial efficiency, contribute to international recognition and trust in German fashion products. This cultural identity promotes competitiveness and increases the value of the "Made in Germany" label.

INNOVATIVE STRENGTH AND TECHNOLOGY: Most respondents believed that progress in the development of new fibres, the manufacture of textile machinery, and close cooperation with research institutions are among the key strengths of the German fashion industry. These factors drive the industry's technological lead and secure long-term competitive advantages.

SUSTAINABILITY: Many of our respondents have noticed a significant growth in the topic of sustainability in recent years. They recognise that companies are increasingly focussing on environmentally friendly materials and sustainable production processes, as well as placing great importance on transparency in the supply chain. This development is also supported by the Supply Chain Act and the clear guidelines that Germany has set out in this area. This change is also being driven by the growing social demand for sustainable products and the use of state-of-the-art technologies such as AI-supported demand forecasting.

UP-AND-COMING TALENT: Another common strength emphasised by all respondents was the emergence of new design talent in Germany. Berlin, in particular, is a centre for innovative fashion and youth culture, producing trends that gain worldwide recognition and have a positive influence on the global image of German fashion. The growing fashion scene in Berlin highlights the potential for further developments and unique market opportunities. Berlin Fashion Week is increasingly perceived as a new centre for innovation, culture, and diversity. Many see this as a positive development, as the event is gaining more and more international attention, and this will benefit the German fashion industry. The days when major designers such as Karl Lagerfeld and Jil Sander characterised "German design" are over, as a new generation of international brands, such as GmbH and Ottolinger, are becoming visible on the catwalks. Lesser-known labels are also venturing beyond German borders under the term "Neudeutsch".[38]

STRONG DOMESTIC MARKET: Many respondents emphasised that Germany has a strong domestic market, which is supported by a wealthy middle class and contributes significantly to economic resilience. Efficient logistics and the ability to react flexibly to changes gave the German fashion industry additional stability in times of crisis.

[38] Fashion United, New German fashion: Is the next generation providing a boost?, 2024

„The transition to a circular economy is not just an option, but an absolute necessity to ensure a livable environment for future generations."

Julia Kirschner — Impact & Innovation Director — Armedangels

4.2 WEAKNESSES

LOW CULTURAL ANCHORING OF FASHION: According to the interviewees, a key weakness of the industry is that fashion holds a lower status in Germany compared to countries such as France and Italy. In these countries, fashion is important both socially and politically, which leads to a stronger lobby and greater public awareness. The respondents also criticised the lack of political initiatives and support programmes that recognise the fashion industry as an important economic sector and provide targeted support. Contrastingly, governments in neighbouring markets make the promotion and strengthening of the domestic fashion industry a government matter. Hence, these weaknesses in Germany result in low international visibility and media presence of German designers and brands, which in turn makes it more difficult to attract talent and investment.

HIGH PRODUCTION COSTS: Most interviewees believed Germany's production costs are too high, especially in comparison to international standards, which represents a further weakness for the German location. The high costs have led to the relocation of production abroad, which in turn contributes to a loss of expertise and innovative strength. Germany was one of the first countries to introduce offshoring in the 1980s, moving almost 95% of garment production abroad to focus on high value-added activities and to secure a leading role in the global apparel sector. In recent years, however, this trend has slowed down due to rising labour costs, declining flexibility, quality problems, and environmental pollution. Despite these issues, the reshoring effect is not yet visible, presumably because production costs in Germany remain very high.[39]

[39] Manufacturing Reshoring in the German Apparel Industry from a Consumer Perspective, Sofia Saradzhants, 2023

LACK OF SUPPORT: The interviewees highlighted that, despite the presence of new design talent, there is a lack of creative integration. Young designers trained in Germany often do not receive enough support or recognition, which hampers both innovation and creativity. As a result, many are leaving for countries where the fashion industry is more respected and designers achieve greater success. According to most respondents, the German fashion industry lacks the courage to be creative, unconventional approaches, and a willingness to take risks. They also believe that the industry receives too little support from the government, which contributes to the migration of young designers and the relocation of production to other countries. Furthermore, the major German fashion companies are not as committed as foreign brands when it comes to promoting talent.

DIGITALISATION: It became clear from the discussions with respondents that digitalisation in Germany continues to be a controversial topic. Many are of the opinion that Germany has largely fallen behind in this area and that numerous companies have lost international competitiveness as a result. The government is partly responsible for this, but not exclusively. There is also a lack of willingness and courage to leave familiar structures behind.[40] Many of those surveyed said that digitalisation in Germany is being held back by a high level of bureaucracy and the importance of data protection.

[40] Süddeutsche Zeitung: Silicon Future: Schluss mit den Faxen, Helmut Martin-Jung, 2021

4.3 OPPORTUNITIES

SUSTAINABILITY: The respondents agreed that the trend towards sustainability and the circular economy harbours great opportunities. German companies that offer innovative circular economy solutions have the potential to take a leading role in the global fashion industry. Sustainable approaches are increasingly being demanded by society and the market, which gives German companies an advantage. The combination of circular economy, upcycling, and recycling, as well as new technologies, offers numerous opportunities for market leadership and differentiation. Many respondents believe that it is possible to establish a circular system in Germany, as the country has advanced technologies and innovative systems in place. For example, it would be possible to save 158 million tonnes of garments by avoiding overproduction through more accurate demand forecasting or production on demand. In addition to the goal of reducing the negative environmental impact, the focus is also on improving working conditions.[41] Another option is to promote more sustainable and transparent supply chains by working directly with suppliers. Programmes such as "Direct to Grower" could help German fashion brands to become leaders in this area.

TECHNOLOGICAL INNOVATIONS: According to the interviewees, another opportunity for Germany lies in the continuous development of technological innovations, as the country is already well positioned in areas such as 3D printing, AI-supported design tools, and automation. These technologies enable the fashion industry to produce faster and more cost-efficiently, which is particularly advantageous under the current cost pressures. Virtual fitting rooms and augmented reality are also opening new shopping experiences and changing the way consumers discover and buy fashion. In addition, digital transformation and e-commerce offer significant growth opportunities, as Germany already has extensive expertise in these fields.

[41] Textile microfactory and distributed production – digitalisation as a game changer for backshifting, Artschwager et al., 2022

INTERNATIONAL PRESENCE AND STRENGTHENING EXPORT MARKETS: Several interviewees emphasised that the well-developed infrastructure and technical expertise in Germany make it possible to expand a large part of the value chain in their own country. This opens considerable opportunities to focus on high-growth markets such as Asia, Latin America, and Africa. These regions are currently experiencing strong growth and German fashion companies could further strengthen their market position there. Berlin was mentioned again as a promising opportunity, as the city is establishing itself as a creative and cultural centre. With its international art and fashion scene, Berlin could become an important location for global fashion fairs and cultural events, like Milan with the Salone del Mobile. This would increase the visibility of the German fashion industry and further expand its international presence.

„The key advantages of transitioning to a circular economy lie in waste reduction, the protection of natural resources, the minimization of environmental impacts, and the creation of new circular business models. Only a fully integrated and consistent circular economy for all materials can close the loops."

Jan Möller — Area Manager Beauty & Product Management — OTTO GmbH & Co KG

4.4 THREATS

CLIMATE CHANGE: In the discussions with the interviewees, it became clear that climate change poses a significant threat to industry, and not just in Germany. Ironically, the industry is also contributing significantly to the problem. Especially the rapid rise of ultra-fast fashion, which has a strong impact on global warming. While there is a growing consumer interest in sustainable fashion, this still does not mean that the demand for ultra-fast fashion is decreasing. On the contrary, demand is continuing to rise worldwide, with particularly noticeable effects in Germany. In addition, it is becoming apparent that the cheap and fast production of this fashion not only causes immense amounts of greenhouse gases, but it also leads to the exploitation of natural resources and poor working conditions in the production countries, which further increases the ecological and social damage.

LACK OF YOUNG TALENT: Most respondents see the lack of young talent in the fashion industry as a future threat. Professions like tailoring or roles in clothing production receive little recognition in Germany, leading to a lack of interest among young people. And working conditions, salaries, and career opportunities are significantly worse than in other sectors. This leads to a decreasing number of qualified specialists, which could jeopardise the competitiveness of the industry in the long term.

WARS, PANDEMICS, AND CRISES: Many of the respondents have recognized in recent years that political crises, wars, or economic depressions pose a major threat to the fashion industry and the world. During Covid-19, in particular, many companies suffered economic difficulties and there were numerous bankruptcies in the years that followed. The Covid-19 pandemic also hit fashion trade fairs in Germany hard. In 2019, around 1,800 brands took part in the Premium, Seek, Neonyt, and Panorama trade fairs in Berlin. However, the events were cancelled several times due to the pandemic. Following the insolvency of Panorama, only 500 brands exhibited at Premium and Seek.[42] Such events have a significant impact on consumer behaviour, as fashion purchases are often emotionally driven. Many consumers have lost this emotional connection to fashion, which has become clearly visible in recent years, particularly because of the various crises.

[42] Fashion United: Fairs from Amsterdam to Copenhagen are vying for the German fashion industry, 2024

4.5 CONCLUSION OF THE SWOT ANALYSIS

Analysing the interactions between strengths, weaknesses, opportunities, and threats makes it possible to develop strategies to exploit opportunities and minimise threats. On this basis, we will explain in Chapter 6 which specific measures can be implemented.

The German fashion industry is characterised by high quality, functionality, and reliability, supported by modern technologies. With its variety of modern and innovative textiles, Germany is ideally placed to capitalise on the growing trend towards sustainable fashion. Germany therefore can continue to position itself as one of the world's leading manufacturers of sustainable fashion. There are also great opportunities in the increasing demand for technological innovations such as 3D printing and AI-supported design, which enable more efficient production methods. Germany has the potential to continue to be active in this area and act as a pioneer.

Nevertheless, the industry is culturally less significant compared to countries such as France and Italy, which leads to weak political support and low international visibility. The weak support leads to a lack of interest from young talent, particularly due to inadequate working conditions, and this leads to a decline in qualified professionals. Subsequently, the fashion industry relocates abroad, causing Germany to lose knowledge and tradition. High production costs also accelerate this process and weaken innovative strength. Bureaucratic hurdles and a strong focus on data protection inhibit digitalisation, which has a negative impact on competitiveness.

At the same time, high-growth markets in Asia, Africa and Latin America offer new opportunities for expansion. Berlin could also establish itself as a central location for international fashion events, which would increase the visibility of German companies and make the concept of nearshoring more relevant.

„Retail is still strongly shaped by tactile and sensory components, and I don't believe it will be solely driven by AI in the future. At the same time, we are curious about technological developments and explore how innovations can make shopping experiences easier, more relaxed, and service-oriented – because these factors are becoming increasingly important to inspire customers both physically and digitally."

Simone Heift — Chief Merchandising Officer — KaDeWe GmbH

5. Long-term challenges for the fashion industry

The fashion industry produces numerous trends, many of which are short lived. However, there are also some trends that are gaining importance in the long term, influenced by factors such as changing consumer needs, the economic situation, and political guidelines. Two key trends in the fashion industry are emerging more prominently and presenting several challenges:

SUSTAINABILITY AND CIRCULAR ECONOMY:

The need for more sustainable production methods continues to grow, and awareness for the careful use of resources is constantly increasing. The fashion industry is at the centre of this, as it has a significant impact on our environment. Interest in the circular economy continues to grow and there are many exciting new innovations in this area. However, there are still contradictions when it comes to price and sustainability. It seems that customers are not prepared to pay significantly higher prices for sustainable products or are still very reluctant to make purchases.

DIGITAL INNOVATION:

This trend is becoming increasingly important in the fashion industry and continues to develop into a key driver of growth and change. At the same time, it requires careful planning, investment, and a balance between technological progress and the preservation of values such as craftsmanship, creativity, sustainability, and transparency.

In this chapter, we will examine these aspects in more detail, considering the statements of our interviewees and relevant literature.

„By consciously limiting products, we not only create exclusive value but also a deeper connection to the things we own. In a time where many are searching for clarity, it's evident that less can often mean more, and that creativity thrives within these constraints"

Ines Rust — Co Founder — Dawn Denim

5.1 SUSTAINABILTY AND CIRCULAR ECONOMY

Sustainable fashion is a topic that has occupied the industry for several years. Recently, however, there has been significant progress, particularly due to political requirements such as the Green Deal, Corporate Sustainability Due Diligence (CSDD), and the German Supply Chain Act. Addressing and adhering to these political guidelines is becoming more and more unavoidable.

The EU Corporate Sustainability Reporting Directive (CSRD) requires brands and large companies to disclose detailed information about their non-financial performance, particularly in relation to sustainability aspects. This directive is being introduced in stages and currently affects around 52,000 companies in Europe. The CSRD makes these companies report comprehensively on their impact on people, the environment, and their corporate governance on sustainability issues.[43]

While our interviewees believed that the new EU directives offer a good opportunity to create a harmonised regulatory framework for the fashion industry and increase consumer confidence (as the control takes place at EU level), they often remain unclear on what is controlled and what is not, making the implementation of the CSRD a major challenge for the industry. It is also mentioned that the CSRD raises considerable doubts among customers, as many perceive it as greenwashing.

Numerous sustainability initiatives are being implemented in the industry, such as:

SECOND HAND / VINTAGE: A significant trend in recent years is the increase in second-hand stores. Vintage clothing is increasingly being seen as fashionable, and platforms such as Vinted and Vestiaire Collective have experienced a huge boom in this area. The company Momox conducted a survey on the topic of second-hand clothing, which showed that buying second-hand items can in some cases lead to increased consumer purchases. For instance, 84% of respondents stated that buying second-hand items has replaced purchasing new clothing, whereas for 6%, second-hand purchases have not substituted new ones. Interestingly, 35% of participants reported that they bought more clothing overall as second-hand items are cheaper than new items.[44] Major retailers such as Zalando and About You have also integrated second-hand sections into their online stores. In doing so, they aim to provide their customers with more options while also responding to the increasing interest in this trend. Some of those surveyed believed that second-hand plays a central role in the circular economy and should be further promoted.

[43] Fashion Changers, Fashion Legislation: Diese EU-Richtlinien solltest du kennen, Imsirovic, 2023

[44] Second Hand Fashion Report, Momox, 2022

„In an increasingly regulated market environment, it is crucial for HUGO BOSS to not only comply with legal requirements but also remain flexible and agile in responding to new political developments. Only in this way can we secure our long-term position in the international competitive landscape.“

Carolin Westermann — SVP Global Corporate Communications — Hugo Boss

RECYCLING: A major problem when recycling textile waste is the variety of materials collected: different material mixes, fabric qualities, and the condition of the used textiles make manual sorting necessary, which is time-consuming and labour-intensive.[45] In recent years, recycling has become a challenging task for companies. Brands such as H&M and Nike have repeatedly faced accusations of greenwashing, turning their recycling initiatives into public scandals. One could therefore assume that genuine recycling does not yet exist in the textile industry, which was also confirmed by interviewees. However, recycling is essential for a functioning circular economy.[46] The EU is tackling the issue with determination and supporting companies that want to drive recycling processes forward. A major project, which is being carried out in collaboration with the company T-Rex and 12 other partners, is focussing on the entire recycling value chain for post-consumer waste. The main aim is to identify the necessary infrastructure and the appropriate political framework conditions to establish an effective recycling system.[47] According to the respondents, recycling is also a question of education. If customers don´t know how to dispose of their clothes properly, they often end up in the wrong container. At the same time, many believe that recycling should only be the last resource, and the focus should be on how to give a garment a new life for as long as possible without having to recycle it at all. There is also a prevailing opinion that recycling still has a bad image, as it is often associated with a loss of value and a deterioration in the quality of the product. Incidentally, Germany is the largest exporter of used textiles in the EU, with around 5.5 kilograms of used clothing per capita per year, surpassed only by the US.[48]

[45] Fashion United: Recycling, KI und Rückschritte - die Nachhaltigkeitsbemühungen im 3. Quartal, Preuss, 2024

[46] Fashion United: Textilrecycling: Raus aus der Greenwashing-Falle, Henkel, 2024

[47] Fashion for Good and Circle Economy 'Sorting for Circularity Europe', 2022

[48] Fashion United: Recycling, KI und Rückschritte - die Nachhaltigkeitsbemühungen im 3. Quartal, Preuss, 2024

REGENERATIVE FASHION/AGRICULTURE: The term "regenerative" is being used more and more frequently and links the agricultural and fashion industry sectors. In regenerative agriculture, farmers have a completely different relationship with the soil and the raw materials produced on it than in conventional or intensive agriculture. The situation is similar with "regenerative" fashion, which only produces clothing made from renewable raw materials and aims to ensure that the textiles can return to the soil at some point. This corresponds to the principle of the circular economy: in a closed-loop system, and materials are reintegrated into the production cycle so that no waste or pollution is produced. Compared with the linear economy, this offers a more sustainable approach.[49] However, the production of these materials is slower, more time-consuming, and more cost-intensive, which can lead to a conflict when it comes to price. Higher production costs make end-products more expensive, and the question arises as to whether they will be valued accordingly and disposed of properly when they reach the end of their life cycle. This remains a challenge for the textile industry in sustainable materials.

RENEWABLE ENERGY: Integrating renewable energy into the fashion industry is a crucial step in reducing companies' environmental footprints and promoting sustainable practices, as it not only reduces energy consumption but also accelerates the transition to greener production processes. The new Future Supplier Initiative, supported by the Apparel Impact Institute and DBS Bank, aims to drive the decarbonisation of the fashion industry. It brings together major companies such as H&M and Mango to create a collective financing model that focusses on 99% of total emissions in the supply chain (Scope 3). The aim is to accelerate the transition to net zero emissions by sharing financial risk and responsibility for the transition to renewable energy in the first two stages of garment production.[50] Our interviewees emphasised that developing and implementing an effective transition plan for net zero emissions is a major challenge. Political leadership and support are critical to success, and it is essential that the private and public sectors work together to promote decarbonisation plans.

[49] Fashion United: Was bedeutet eigentlich „regenerativ" in der Mode?, Blaazer, 2024

[50] Fashion United, Future Supplier Initiative: Modemarken unterstützen neues Finanzierungsmodell zur Dekarbonisierung der Branche, Preuss, 2024

5.2 DIGITAL INNOVATION

THE DIGITAL PRODUCT PASSPORT: The Digital Product Passport (DPP) is one of the most significant digital innovations in the fashion industry, as it not only increases transparency along the supply chain, but also plays a key role in promoting sustainable practices and enabling consumers to make informed choices. Soon, all products on the European market will have to be labelled with a product passport, also known as a "digital twin". This digital passport will provide comprehensive information on the environmental impact of a product throughout its life cycle, especially for textile products. It will come into effect at the beginning of 2026. The DPP will have a significant impact on the fashion industry, as complete information is often not currently available in the value chain. Apparel companies face the challenge of collecting, managing, and presenting data for every part of the supply chain. In addition, many fashion companies are reluctant to share critical information about their business for strategic and financial reasons, such as protecting their competitive advantage. Striking a balance here remains a challenge.[51] The DPP could also tackle one of the biggest challenges facing the fashion industry: greenwashing. Despite growing consumer interest in sustainability, widespread greenwashing has created an environment of scepticism and mistrust, making it difficult for brands to prove their authenticity. Digital product passports offer an effective means of promoting greater transparency and accountability.[52]

ARTIFICIAL INTELLIGENCE: According to our respondents, Artificial Intelligence (AI) is one of the most significant innovations the industry will see—but only if it is used correctly. The designers who took part in the interview were sceptical about the impact of AI on the design process. For example, the AI tool AiDa acts as a design assistant and supports designers in the creation of visual designs, from mood boards to sketches, which can speed up the design process by 60% to 70%.[53] AI is also perceived as a significant influencing factor in retail, purchasing, and product development. Zalando is increasingly focussing on AI and expanding its AI-supported offerings, including the Zalando Assistant and Trend Spotter.[54] On the other hand, the rise of AI-powered automation has the potential to jeopardise millions of jobs in different industries. Although AI can increase productivity and efficiency, there is a risk that many employees will be replaced by machines. This could lead to widespread unemployment and economic struggles, and thereby increase social inequality if the benefits of AI are unfairly distributed. It is important to shape this change gradually and consciously.[55]

TECHNOLOGICAL INNOVATIONS IN TEXTILES: In recent years, a lot has happened in the development of innovative materials, which are often referred to as "next-gen materials", and there is frequent talk of sustainable textile innovations.[56] Next-gen materials are usually characterised by the fact that they adapt to external influences

[51] Fashion United, „Digitale Zwillinge": Was man über den bevorstehenden digitalen Produktpass wissen sollte, Blaazer, 2024

[52] Fashion United, Wettbewerbsvorsprung: Warum Marken vor 2027 digitale Produktpässe brauchen, Partner, 2024

[53] Fashion United, Von Design, Angebot, Vertrieb und Marketing bis zum Einzelhandel: Wie KI in der Modebranche eingesetzt wird, Blaazer, 2024

[54] Fashion United, Zalando weitet KI-gestützten Angebote aus, Scott, 2024

[55] The Dark Side of AI: How Artificial Intelligence Can Negatively Impact the World, Lone, 2024

[56] Fashion United: Nachhaltige Textilien – wann ist ein Kleidungsstück wirklich recycelt?, Blaazer, 2024

„Digitalization also brings many new requirements in the area of compliance. Numerous laws are emerging that are becoming increasingly relevant, such as the Digital Product Passport. For many companies, it is still unclear how important this will become and that they will need to engage with it intensively in the next 1-3 years."

Beth Gohl-Greenaway — Director of Strategy — Vbc Agency

to optimise their properties. Thanks to constant innovation and research & development, new manufacturing processes are being developed for versatile, effective, and sustainable materials. These materials are heat and fire resistant, as well as conductive. Next-gen materials are continuously being refined and most are still at an early stage of development. There are still many challenges to overcome before they can be widely used in everyday life.[57]

[57] 13 Next-Generation Materials That Will Revolutionize the World, Futureside Editor, 2022

The list of these important tendencies and trends shows how the fashion industry is constantly and rapidly evolving. Many things are interconnected, which is why good collaboration is crucial, as it consists of several symbioses that build on each other. It is important not to look at just one perspective, but to take a holistic approach. Technological advances should of course be utilised, but it is equally important to consider the potential impact of large and rapid changes on people and the environment. In the field of sustainable fashion, a slower production approach can be more beneficial on several levels and make more sense in the long term. As our interviewees said, sustainability can be positively supported by various technologies, which are still in the infancy of their development. The challenge lies in the speed of development and the possible misinformation that can influence the perception of this topic. Greenwashing is currently the biggest challenge, as many companies, under pressure, spread misleading information that makes it harder for customers to take sustainability seriously.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6. Recommendations & conclusion

In our interviews, experts from the German fashion industry mentioned various approaches for supporting the industry's future growth. These recommendations are summarised in this concluding section.

6.1 INCREASED SUPPORT AND EDUCATION FOR FASHION COMPANIES IN THE CONTEXT OF SUSTAINABILITY

The respondents emphasised that, as entrepreneurs, they feel that the topic of sustainability has developed significantly in recent years. They also agree in principle with the new regulations and standards that have already (or will soon) come into force. However, they criticise the fact that the government is not offering any concrete support to translate these theoretical requirements into concrete measures. At present, they do not yet know exactly how they can incorporate sustainability into their business models.

The initiative of the Berlin Senate, which supports and finances the Sustainability Requirements of Berlin Fashion Week, was particularly well received. Projects like this help to bring valuable knowledge into the country. Even if an individual does not directly take part in Berlin Fashion Week, the positive ripple effects still spread across the country. Such events also promote the creation of new synergies within the industry. Another suggestion from the interviewees is that there should be more funding opportunities for sustainability topics. For example, if Germany were to organise more sustainability trade fairs, this could not only position the country as a pioneer in this area but also give local companies better access to these important topics.

6.2 INCREASING THE APPRECIATION AND IMPORTANCE OF THE GERMAN FASHION INDUSTRY AT HOME AND ABROAD

Despite its size, the German fashion industry is not yet sufficiently recognised on the global market. One reason for this is that fashion in Germany is often not seen as a central part of the national culture. Nevertheless, the industry has made great progress in recent years, as demonstrated by the success of Berlin Fashion Week, which now enjoys international attention. However, to bring German fashion even further into the global spotlight, support needs to be increased. Our experts called for the fashion industry to be endorsed through political promotion and international partnerships.

Concrete measures, such as the increased participation of politicians at fashion events or financial support for German companies visiting trade fairs at home and abroad, could significantly increase the visibility of the industry. In addition, funding programmes for start-ups and sustainable innovation projects, as well as support for export initiatives through trade agreements and support through diplomatic channels could drive the global success of German brands.

However, it is important that the industry is not viewed in isolation. Closer collaboration, both within the fashion industry and with other sectors, and the creation of synergies are crucial to making German fashion internationally recognised.

„Customers don't immediately ask about the production process. The sustainability question is relevant to only about 20 out of 100 customers – so it's rather rare. What matters more are design and brand appeal, while sustainability plays a secondary role."

William Fan — Founder & Designer — William Fan

6.3 EDUCATING CONSUMERS

In the fashion industry, educating consumers about the origin and sustainability of products is still an often-neglected topic. Many of those interviewed agreed that other industries, such as the food industry, are much better at promoting consumer awareness of transparency and sustainable practices. While consumers in the food industry can now obtain detailed information about where their products come from, how they were produced, and what impact they have on health and the environment, such information is often still lacking in fashion. The interviewees noted that too much information can also quickly become overwhelming, which means that many consumers do not want to delve any further into it. It is therefore difficult to find the right balance between providing enough information to induce consumer interest without overwhelming them. In addition, many of the experts stated that they were particularly cautious in sustainability to avoid being accused of greenwashing. New regulations could help to alleviate some of these concerns, but the key question remains how to educate consumers effectively and clearly. Much investment is still needed here, especially in the transparency and traceability of products, such as through the DPP. In addition, certificates and seals should continue to be supported, and companies and influencers should be more involved in their responsibility for their corresponding awareness campaigns.

6.4 INCREASED SUPPORT FOR DOMESTIC PRODUCTION, INCLUDING TECHNOLOGIES AND MICROFACTORIES

Many of those interviewed believed domestic production should be promoted and supported more strongly. They noted that much valuable expertise has been lost due to offshoring in recent years and find it ironic that many of the machines used in countries where German clothing is produced actually come from Germany. The country possesses the technical knowledge and manufactures the machines for production, but it lacks cheap labor. The interviewees hope that the current regulations on sustainability and social standards will help change this situation. Some wondered whether it would be possible to reduce VAT on domestic products and instead increase taxes on imported products to encourage more companies to opt for domestic production.

Another point they raised is that the "Made in Germany" seal would gain in value if more products were produced in Germany. Particularly regarding sustainability, this seal could then be more strongly associated with responsible production. If more production took place in Germany, there would also be better control over the products and the entire supply chain. This change should be urgently enacted by the government, as "nearshoring" in Germany's fashion industry has remained minimal to date. Many of the interviewees emphasised the importance of promoting technology and micro-production facilities. Industry 4.0 is crucial here to enable cost-efficient production in small batch sizes. Thanks to digitalisation, entire production processes can be implemented in the smallest of spaces in so-called microfactories. The textile industry can also benefit from this development by offering more customised products to its customers. In addition, new opportunities are emerging to try out business models and manufacture textile products regionally and closer to the customer, which could drive nearshoring forward.

6.5 MORE SUPPORT FOR DEVELOPMENT PROGRAMMES AND FASHION SCHOOLS

Many respondents believed fashion design programmes and schools in Germany are not sufficiently supported. Most of the universities/colleges that offer this degree programme are private institutions, which is financially unattractive for many potential students. In addition, there is little information about what the job prospects are once you have completed your studies. Many have concerns that a degree in fashion design could only lead to professions such as tailor, pattern maker, or shoemaker, without recognising the importance and diversity of the fashion industry in Germany. Some interviewees believe that broader education on the actual career prospects would help to increase interest in this field.

Another suggestion was to offer interdisciplinary courses combining fashion with other industries such as technology, art, or sustainable construction to create synergies and open new markets. In addition, some advocated for the establishment of design and innovation centres to give students better access to new technologies and current trends, while also providing a creative environment in which ideas are exchanged. This could generate new impulses and perspectives that would drive the fashion industry forward.

6.6 SUPPORT WITH DIGITALISATION

Many respondents referred to the topic of digitalisation and emphasised that Germany is still underdeveloped in this area, although its importance for the future has long been recognised. The situation is particularly difficult for companies whose digital infrastructure is generally weak. Experts recommended more investments in digital infrastructure, as it has the potential to solve many of the challenges facing the industry. It was also pointed out that future topics, such as the DPP, will require an efficient digital infrastructure, and the earlier investments are made in this infrastructure, the better. As already emphasised in Section 6.4, the digital transformation is crucial for driving the industry forward. Thanks to its competitiveness and expertise in the field of embedded systems, Germany is in an excellent position to fully exploit the potential of Industry 4.0. The increased networking of products and machines can increase efficiency, reduce costs, and conserve resources, allowing companies to react flexibly and quickly to market changes. Industry 4.0 also offers a strong response to the challenges of sustainability and therefore represents a long-term solution for the industry.

„The German fashion industry is known for reliability and commitment. We also place great value on craftsmanship to achieve the highest possible authenticity."

Jürgen Leuthe — CEO — Luisa Cerano

6.7 CONCLUSION

The German fashion industry enjoys solid recognition and stands for quality, reliability, and innovation. The industry is also economically significant: In 2023, it employed 620,000 people and contributed €29 billion directly to GDP. Including its supply chains and employee spending, the industry supports 1 million jobs and contributes €70 billion to GDP.

At the same time, there are numerous challenges that the industry must overcome. However, these can be solved relatively quickly as there is a strong foundation in the fashion industry. First and foremost, it is crucial to recognise how important this industry is for Germany so that the right measures can be taken. It is equally important to analyse the current state of the industry and clearly define where it should be heading. This study highlights this status quo and provides impetus with its recommendations to turn challenges into opportunities.

eBay as a Driver of Circularity

Provided by Tanja Vojkic, Category Lead Fashion of eBay Deutschland

In the landscape of global commerce, one trend has steadily gained prominence over the past few decades: the rise of the circular economy. As climate change, overconsumption, and waste accumulation become increasingly urgent issues, companies, consumers, and policymakers are embracing the idea of rethinking how we create, use, and dispose of goods. Amidst this shift, eBay has emerged as one of the key players in transforming how we think about recommerce, the process of buying and selling pre-loved goods, and how such practices can drive a more sustainable and inclusive future.

For over 25 years, eBay has been committed to the principles of recommerce. From its early days when a broken laser pointer became the site's very first sale.

THE RELEVANCE OF RECOMMERCE IN TODAY'S WORLD

The world finds itself at a significant crossroads. On one hand, consumers and businesses alike face mounting challenges stemming from global economic instability, climate change, and the need to adapt to more socially responsible consumption patterns. On the other hand, there is a growing recognition that our traditional, linear models of production and consumption—where products are made, sold, used, and discarded—are no longer sustainable. As such, the idea of the circular economy, where resources are kept in use for as long as possible, is resonating more strongly than ever before.

The circular economy, with its emphasis on reducing waste, reusing materials, and recycling products, provides a viable solution to this crisis. Within this framework, recommerce—where consumers buy and sell used or refurbished goods—plays an essential role. By extending the lifespan of products, recommerce reduces demand for new production, decreases waste, and lowers carbon emissions.

This is where eBay supports. With a global community of millions of buyers and sellers spanning over 190 markets, eBay has the infrastructure, trust mechanisms, and technology to make recommerce not just possible, but increasingly mainstream.

EBAY'S ROLE IN THE CIRCULAR ECONOMY

eBay's impact on the global recommerce market cannot be overstated. The platform is part of a global movement toward more sustainable and inclusive consumption. According to the company, in 2023 alone, eBay facilitated $4.9 billion in positive economic impact, avoiding 1.6 million metric tons of carbon emissions and 69,000 metric tons of waste[1]. This is a staggering achievement, highlighting the true scale of eBay's contribution to both the global economy and the environment.

Pre-owned and refurbished goods now account for 40% of eBay's total Gross Merchandise Volume (GMV), a figure that underscores the growing appetite for secondhand goods. Consumers around the world are not only seeking affordable alternatives to new products but are also driven by the desire to make more sustainable choices. In fact, 64% of surveyed eBay consumers agree that shopping for pre-loved items is better for the planet.

Beyond these environmental benefits, eBay also drives economic opportunity. Sellers on the platform, particularly those dealing in pre-loved goods, are tapping into a new revenue stream. For many, selling secondhand items on eBay is a means of generating income. In this way, eBay's marketplace is creating economic opportunities for individuals from all walks of life, fostering entrepreneurship and inclusivity.

Recommerce is a Growth Market with great potential

THE CONSUMER SHIFT TOWARD PRE-LOVED GOODS

In recent years, there has been a notable shift in consumer attitudes toward pre-loved goods. Once seen as an option for the financially strapped or environmentally conscious few, buying secondhand is now mainstream. According to our recommerce report 2024, nearly half of consumers globally agree that „shopping pre-loved is ‚in' for 2024." The numbers speak for themselves: 86% of consumers surveyed reported buying or selling pre-loved goods in the last 12 months, while 60% of eBay buyers said that purchasing secondhand items had become more important to them personally.

Among younger consumers, this shift is even more pronounced. Gen Z and Millennials, the most digitally savvy generations, have embraced recommerce with enthusiasm. Sixty-two percent of Millennials and sixty-six percent of Gen Z consumers say that purchasing pre-loved goods has become more important to them. For many of these shoppers, recommerce isn't just about saving money - it's about expressing values. They see their spending as a way to contribute to the broader goal of sustainability, all while securing quality items that might no longer be available in stores.

What's more, this trend extends beyond traditional categories like clothing and electronics. According to our recommerce report, interest in pre-loved goods is also growing in niches like collectibles, home goods, and even luxury items. In March 2024, eBay saw a 400% increase in the number of listings for "thrifted" items—demonstrating how recommerce is permeating all facets of consumer culture.

EMPOWERING SELLERS AND STRENGTHENING THE CIRCULAR ECONOMY

The role of eBay in transforming the recommerce market is not limited to its support of buyers. The platform has also empowered millions of sellers, from individuals decluttering their homes to small businesses expanding their reach. In particular, eBay has made it easier for people to engage in the circular economy by removing barriers to selling. For example, the removal of selling fees for private sellers in Germany in 2023 led to a significant uptick in both listings and sales, demonstrating how reducing friction for sellers can stimulate the circular market.

Further amplifying this impact, eBay has launched several initiatives aimed at strengthening the circular economy. One notable example is the Circular Fashion Fund (CFF), which was launched in 2022 to support businesses that are developing innovative circular fashion solutions. Through this initiative and starting in 2022, the CFF is set to deliver a total investment of $1.2 million by the end of 2025 as it expands in the UK, Germany, the US and Australia. eBay provided critical mentorship to startups working to create a more sustainable fashion industry. By expanding this fund globally, eBay is not only supporting a more sustainable fashion ecosystem but is also investing in the future of circular business models.

Additionally, eBay's acquisition of Certilogo, a company specializing in AI-powered authentication services, has added a layer of transparency and trust to the marketplace. This technology ena-

[1] Our 2023 Impact Report, eBay, 2023

bles buyers to verify the authenticity of secondhand goods, particularly luxury fashion items, ensuring that consumers can shop with confidence and reducing the risks associated with purchasing used goods.

BUILDING THE FUTURE OF RECOMMERCE

eBay's dedication to transforming the circular economy is not just about providing a marketplace for used goods. By constantly innovating and leveraging new technologies, eBay is creating trusted experiences for buyers and sellers alike. Whether it's through new authentication services, removing barriers to entry for sellers, or supporting circular fashion businesses, eBay wants to position itself as a leader in the recommerce space.

As global interest in sustainability continues to rise, the role of recommerce platforms like eBay will only become more vital. Consumers are increasingly making purchasing decisions based on their values, with sustainability ranking high among their priorities.

© EBAY

Repair-Boom

Why are brands rushing to repair?

Provided by Agnes Weber, Co-Founder of MENDED, influencer with a multi-million reach across social media platforms, and keynote speaker on repair, loyalty and circularity.

If there's only one thing to take away from this article, it's this: Offering a repair service is no longer about fixing products, says Agnes Weber, founder of MENDED.

Before diving into the details of repair, it's important to take a step back: Fashion brands invest heavily in customer acquisition, having perfected their marketing strategies. However, ensuring those customers remain loyal requires something different. In today's crowded market, the real challenge lies in customer retention—brands often struggle to get customers to make repeat purchases.

"As an influencer with a decade of experience, I know exactly how much brands are willing to invest in customer acquisition. I've seen how much they spend to bring new customers in. But here's the disconnect: they're willing to pour money into acquiring customers, yet often fail to invest the same effort into keeping those customers engaged and satisfied. It's madness - like filling a glass with holes and expecting it to stay full," says Agnes.

The focus is no longer on acquiring customers—it's about keeping them. Brands today understand that loyalty and retention demand more than just a sale; they require an ongoing relationship throughout the product's lifecycle. MENDED was founded to help brands leverage this critical post-purchase phase by turning the chore of repair into a premium yet playful experience. It's an offering that meets today's baseline customer expectations and fosters repeat purchases in a way that traditional marketing no longer achieves.

THE TRUE COST OF REPAIR

There is a common misconception among brands that repair services will cannibalize sales or diminish margins. Many still view repair as a secondary sustainability initiative—an effort that may demonstrate eco-consciousness but doesn't deliver immediate financial returns. The assumption is clear: if customers are repairing items, they won't buy new ones. However, the data reveals the opposite. Brands that offer repair services see a 2.3 times higher customer lifetime value, proving that repair not only retains customers but also drives long-term profitability.

The real question is no longer what it costs to offer repair services, but rather, what will it cost you not to offer them? Or more specifically, how many customers are you willing to lose? Brands that neglect repair miss a critical opportunity to strengthen customer loyalty. Today's consumers expect more than just products—they seek additional services and experiences. Failing to meet those expectations will only push customers toward brands that do.

A BRIEF LOOK AT THE HISTORY OF REPAIR.

Repair is nothing new. Brands offering repair services first emerged in the luxury and outdoor markets, where customers expected durability and high performance. It is a core service for brands like Patagonia and Hermès. In these sectors, repair is essential to fulfilling the brand promise and maintaining lifetime customers. In recent years, repair has completely swept over into the mainstream market as brands recognize the power of after-sales services. For example, Adidas made a major move in June 2024 by enhancing their loyalty program with repair benefits, responding to the growing demand for long-term customer relationships.

Many brands assume their customers have little interest in repair services. However, moving beyond 15.000 repairs MENDED's service data shows: 72% of users are first-time repairers. Contrary to popular belief, sustainability is not their primary motivation. Instead, two main drivers emerge: financial and emotional considerations. Customers repair items either because they expect more from the product given the price or because the item holds sentimental value. What these first-time repairers truly value is the overall experience. Research indicates that modern consumers prioritize ease and experience when engaging with after-sales services. As most customers would put it: "If it's not as easy as buying new, I can't be bothered."

This underscores the importance of positioning repair not merely as a sustainability initiative, but as a customer-centric service. This is where some brands fall short. MENDED's approach focuses on "the play" in our mission to keep clothes in play, transforming repair into a light and memorable experience. "Shopping is an experience, and repair isn't. We changed that, and it led us to win the Newcomer of the Year 2024-2025 award," says Agnes Weber.

„MY CUSTOMERS ARE NOT GREEN. THEY DON'T CARE ABOUT REPAIR.""

© MENDED ARMEDANGELS x MENDED als Kooperationspartner

COMPLIANCE PRESSURE IS INCREASING.

Remember the image of dangling a carrot in front of a donkey to move forward? The „carrot" is clear: enhanced customer loyalty. On the other hand, the „stick" comes in the form of regulatory pressures. The question is no longer if you offer customers the option to repair—it's when. As the industry evolves, brands that act now will not only gain a competitive edge but also mitigate the impact of looming regulatory requirements.

The European Union is advancing several legislative measures, such as the Digital Product Passport (DPP), the Right to Repair, the Corporate Sustainability Reporting Directive (CSRD), and the Ecodesign Directive. These highlight the growing expectation that brands take responsibility for the entire lifecycle of their products. The timeline for compliance may vary depending on company size, but the shift is inevitable. Failing to prepare now will mean catching up later.

GERMAN MARKET READINESS FOR REPAIR.

In 2019, German consumers spent €76 billion on clothing and shoes, positioning Germany as one of Europe's largest fashion markets. Known for their high expectations of service and product quality, German consumers are increasingly seeking brands that offer solutions to extend the lifespan of their purchases. The growth of e-commerce, which represented 15.9% of fashion retail in 2019, further underscores the demand for innovative online repair services. Front-running German brands like ARMEDANGELS have demonstrated the power of repair by making it a core feature of their loyalty programs, while also leveraging product performance data to enhance durability.

"We see ourselves as a brand that promotes a consumer trend where repairs are a ubiquitous and easily accessible option," explains ARMEDANGELS co-founder and CEO Martin Höfeler. „Consumer expectations are steadily growing, but many people don't know what can be repaired or who they can trust with it. Through our partnership with MENDED, we are lowering these barriers by offering a repair service that is easy to book online and works quickly."

So, the next time you evaluate your customer acquisition costs, remember: it's not just about getting them through the door—it's about keeping them there. And repair is how you do that.

© MENDED Buchungsmoment um ARMEDANGELS-Kleidträger zu repairen

Catalysts for Change

Unlocking Value with Digital Product Passports

Provided by Michele Casucci, GM and Founder of Certilogo S.p.A, Rossella Munafò Head of Strategy and Business Innovation.

The Digital Product Passport represents an important opportunity to unlock the next generation of business services and a new wave of economic value.

The concept of creating a digital record for products was first introduced in March 2022, when the European Union called for the implementation of a DPP for all textile products sold in the EU by 2030. Since then, the legislative requirements have concretized with the first, simplified and standardized iteration of DPPs requirements estimated to come into force by 2027.

The Digital Product Passport has been defined as a comprehensive digital record that accompanies a product throughout its entire lifecycle. This record will require data on the product's origin and impact, including the following: manufacturing and supply chain information, materials and composition, sustainability certifications and compliance, repair, recycling and circularity services, and environmental impact.

Consumers can access an individual product's digital product passport by scanning the digital marker such as QR codes, NFC tagging and barcodes physically attached to their product.

According to the EU DPP legislation, each product sold on the EU market must be provided with its own unique digital identifier, which enables the product to be recognized, tracked and documented throughout its lifecycle.

ENVISIONING A MORE SUSTAINABLE AND TRANSPARENT INDUSTRY

The current market landscape underscores a growing demand for transparency and sustainability in consumer goods.

DPPs are emerging as a vital tool in meeting these needs by providing easily accessible end-of-life services such as reselling, repairing, and recycling. Consumers are increasingly engaging with circular services, with a recent market survey revealing that 60% of sellers would not have given their items a second life without the secondhand market.

The ease of access to these services, facilitated by DPPs, can help promote a more virtuous consumption cycle. However, brands and consumers face several challenges in this evolving market, including legislative compliance and adapting to new local regulations.

To address these challenges, DPPs must be built on a system that allows brands to continually update product information and align with evolving compliance requirements. This will be crucial for maintaining the integrity and effectiveness of DPPs in fostering a sustainable market environment and building consumer trust.

Although the impetus for DPP adoption has often been attributed to traceability and sustainability compliance, there is a push in the industry to go beyond legislative compliance and use this innovative tool as a major catalyst for positive change, and untapped marketing opportunities.

Most fashion and luxury brands are aware that they will be required to adopt DPPs, and many have started to integrate this digital tool into their business strategy. Forward-looking brands envision a roadmap for implementation that includes customer engagement, loyalty programs and relationship building through the use of products as powerful communication channels.

THE EVOLUTION OF CONSUMER BEHAVIOR AND EXPECTATIONS

The importance of brands building trust with consumers through secure Digital Product Passports (DPPs) cannot be overstated.

As this new technology is adopted, consumer behavior will inevitably evolve, leading to heightened expectations. Consumers will begin to expect that brands are not only compliant with EU regulations but also that the sustainability information provided is accurate, reliable and secured.

In addition, consumers will likely expect that products are either built with an authentication solution or are equipped with a system that enables instant authentication, so they can resell the item at maximum value and with relative ease. In fact, according to a study conducted by Certilogo in 2023, 85% of consumers consider authentication to be very important when buying new or used fashion.

Furthermore, the process of resale and transferring product ownership should reflect real-world behavior, providing seamless access to marketplaces and ensuring a frictionless experience. In a survey conducted by Boston Consulting Group, 62% of respondents said they would be more willing to buy from fashion brands that partner with secondhand players. Embedding resale services within a connected product experience, can help brands turn the compliance challenges of DPPs into a motivating factor to incentivize purchases.

By meeting consumer expectations, and offering a solution that adapts with changing consumer behavior and values, brands can significantly enhance trust and loyalty, which are critical in today's competitive market.

What brands and consumers can expect from the introduction and widespread adoption of Digital Product Passports:

DEEPER CONSUMER ENGAGEMENT

By providing access to verified product information, sourcing details, and even care instructions, brands can foster deeper connections with their customers, building loyalty and trust.

EMOTIONAL PRODUCT RELATIONSHIP

Brands can embed interactive elements into the DPP that keep customers connected to the brand long after the initial purchase. Brands can use digital passports to tell the story behind each product, including the design inspiration, the craftsmanship involved, or stories about the artisans who made the product. Such narratives can make the product more meaningful to the consumer, turning it into something more than just an item, but a piece of a larger story they are now part of.

UNLOCKING CIRCULARITY

DPPs can enable brands to embrace circular business models by facilitating product repair, resale, and recycling, aligning with the growing consumer demand for sustainable practices.

ACCESS TO TRANSPARENCY

DPP is a digital window into a product's journey, offering insights into its origin, materials, and ethical considerations, empowering consumers to make informed choices.

TRUST IN AUTHENTICITY

Authentication technology enables consumers to verify the authenticity of their purchases, ensuring they are investing in genuine products, and the products will maintain their value through each phase of the product life cycle.

SECURE BRAND PROTECTION

DPP technology can provide a robust defense against counterfeiting, safeguarding brand reputation and ensuring the integrity of products and circular ecosystems enabled by brands.

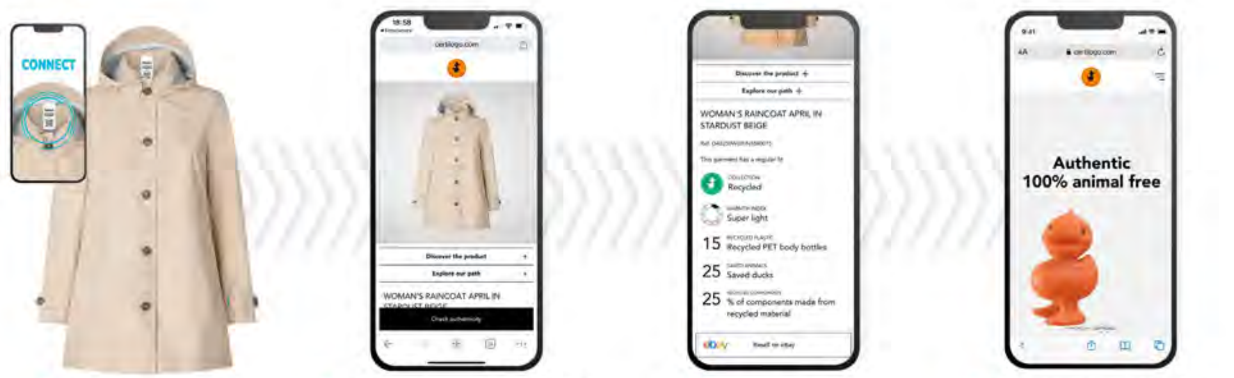
SUPPORT FOR SUSTAINABILITY

DPPs can be used as a tool to educate consumers on a product's origin, impact and care, encouraging them to actively participate in a more circular and responsible fashion ecosystem.

Digital Product Passport case study: Save The Duck

Historical champion of ethical fashion, Save The Duck a certified B-Corp, recently integrated a Digital Product Passport solution with embedded circularity services.

Unlock the magic: see the DEMO!



1. Scan or tap digital marker on product

2. Connect with the product and view DPP

3. Learn about the product's life story

4. Verify authenticity and activate circularity services

THE DIGITAL PRODUCT PASSPORT REPRESENTS AN IMPORTANT OPPORTUNITY TO UNLOCK THE NEXT GENERATION OF BUSINESS SERVICES AND A NEW WAVE OF ECONOMIC VALUE.

Not only do DPPs offer a pathway to enhanced sustainability, but they also present valuable, untapped business opportunities. As the industry and DPPs continue to evolve, brands will play a crucial role in ensuring this tool helps shape a more responsible future.

The Path to a Sustainable Supply Chain with Corporate Social Responsibility (CSR) Software

Provided by Holger Max-Lang, Managing Director of Speed Step GmbH

In a world increasingly focused on sustainability and social responsibility, companies find themselves at a critical turning point. The demand for transparency, regulatory compliance, and ethical standards is rising rapidly. At the same time, companies are required to meet new regulations, such as the Supply Chain Act and the EU reporting obligations.

In Germany, with the recent changes to the Supply Chain Act, the employee threshold was reduced to a minimum of 1,000 employees as of January 1, 2024. This means many more fashion companies are now required to comply. Companies must identify, evaluate, and prioritize risks within their supply chains. In addition to protecting human rights, preventive and remedial measures for environmental protection are required, as well as regular reporting on supply chain management. Even companies with fewer than 1,000 employees are advised to gradually introduce the standards to ensure transparency and uphold human dignity.

Looking ahead, it is anticipated that the European Union will introduce the Digital Product Passport (DPP) for the fashion industry in the first half of 2027. The question is no longer "if" but "when." The DPP's requirements make it clear that transparency in the supply chain must be proven for every product, meaning that fashion companies cannot avoid implementing integrated CSR solutions. The already demanding volume of data is expected to increase significantly—comprehensive analyses project a six- to eight-fold increase in data. Companies will need to manage at least two main data streams: 1) consumer-facing product information and 2) product information for recycling.

The era when corporate social responsibility was seen as an optional add-on is over. Today, the business world views CSR as a modern management concept that promotes the integration of social, environmental, and economic aspects into value creation. CSR is no longer seen as a trade-off against profit—it brings real added value to companies, customers, and employees alike. To enhance sustainability and efficiency in the supply chain, CSR has been developed and introduced as a software solution that goes far beyond traditional systems. This technology is designed to bring transparency to supply chain processes and data, making risks measurable and manageable.

A powerful CSR software solution is designed to make the relationships and data across the entire supply chain visible. Partners can create profiles, provide information on their capabilities, and share detailed data about production sites and any subcontractors. One of the key benefits lies in managing certifications, monitoring audit timelines, and ensuring that production partners are actively working on improvements. Additionally, all data, processes, and communications are handled in a seamless environment, eliminating breaks in media or data transfer.

Fashion companies, which often source globally, benefit from a collaborative approach to sustainability. Suppliers' active involvement in providing relevant information creates a solution that allows companies to save valuable resources while accessing current data without excessively burdening internal capacities.

The result: a transparent supply chain for every product and purchase order, at every stage—from raw materials to production partners. This transparency builds trust and lays the groundwork for the Digital Product Passport. Suppliers also benefit from this system, as it enables them to manage and review their data efficiently and have a constant overview of the information provided. This transparency fosters accountability and allows suppliers to identify potential weaknesses early on and implement improvements independently.

Today, fashion companies need complete visibility into sustainability- and quality-related processes within their supply chain. A CSR system serves as an early warning system for certificates and audits. A modern CSR system provides timely updates on certifications and deadlines, allowing companies to act before issues arise. This feature is essential for ensuring continuous compliance and minimizing risks in the supply chain. The CSR system can track corrective actions until requirements are met, significantly reducing administrative burden and risk through proactive management of certifications.

An optimized CSR system for digital process and workflow management enables companies to achieve their CSR goals more efficiently and transparently. Optimizations mainly involve automating, standardizing, and tracking CSR processes, which often require collaboration among multiple stakeholders within and outside the organization. Automated workflows ensure tasks are efficiently distributed, with responsibilities clearly defined

and traceable. Digital workflows automatically record each step, creating a comprehensive log of CSR activities.

The quick integration of new partners and assessment of existing ones is crucial for an agile supply chain. A modern CSR system enables onboarding of supply chain partners through a digital process. The onboarding is streamlined through a phased, client-controlled process.

A CSR system also allows for customizable evaluations of partners based on individual criteria, such as audit performance and compliance with corrective actions. The automated evaluation process enables clients to make objective decisions about maintaining trustworthy partnerships.

In a fast-changing world, decision-makers need access to clear, precise data at all times. CSR system dashboards offer real-time overviews of all KPI-relevant data, enabling immediate response to developments. This supports well-informed, future-proof decisions that contribute to the company's long-term sustainability.

Sustainability is increasingly becoming a strategic advantage for companies. Customers and business partners place a growing emphasis on transparency and ethical practices. CSR enables responsible resource use, reduces environmental impact, and promotes sustainable products and services. By embracing CSR, companies lay a foundation for a secure future while enhancing their appeal to conscientious consumers and investors.

Furthermore, CSR encourages innovation, as companies are driven to develop sustainable solutions, alternative materials, and manufacturing processes. New markets and business areas emerge as a result of sustainable transformation, rooted in ecological and social values. Companies that integrate CSR consistently and strategically lay the foundation for a future-ready organization.

CARBON TRUST

Decarbonising Fashion

A Path to Net Zero – Challenges, Strategies, and Future perspectives

Provided by Marta Iglesias, Director, Davina Naidoo, Consultant, Claire Taylor, Associate, Zoe Bowman, Associate, Clothing and Footwear Sector experts of Carbon trust

1. CURRENT LANDSCAPE AND INDUSTRY SCENARIO

The fashion industry is expanding at unprecedented levels. Since the early 1990s, material production and its associated emissions have increased by 185%. Global consumption is expected to rise by 63%, and clothing sales could triple by 2050 (from 2023 levels). Clothing purchases across the EU alone generated 121 million tonnes of CO2e in 2020. If the European Union is to meet its legally binding 2050 Net Zero target, the fashion sector must reduce its emissions at speed.

The largest impact comes from material production and raw material processing, which are responsible for approximately 68% of fashion companies' Scope 3 emissions. Fast fashion and global supply chains drive overproduction, waste, and transport-related emissions. However, regulatory pressure is mounting, with new laws and sustainability reporting requirements targeting fast fashion's impact. Initiatives like the Apparel Impact Institute are identifying and scaling decarbonisation solutions, while a small but growing group of conscious consumers and responsible brands are shifting the landscape.

2. CHALLENGES IN DECARBONISATION

Decarbonisation challenges can be grouped into three categories: consumer behaviour, supply chain complexity, and financial and technological barriers.

Without a stronger emphasis on shifting consumer behaviours, decarbonisation efforts will continue to struggle against the expansion of fast fashion.

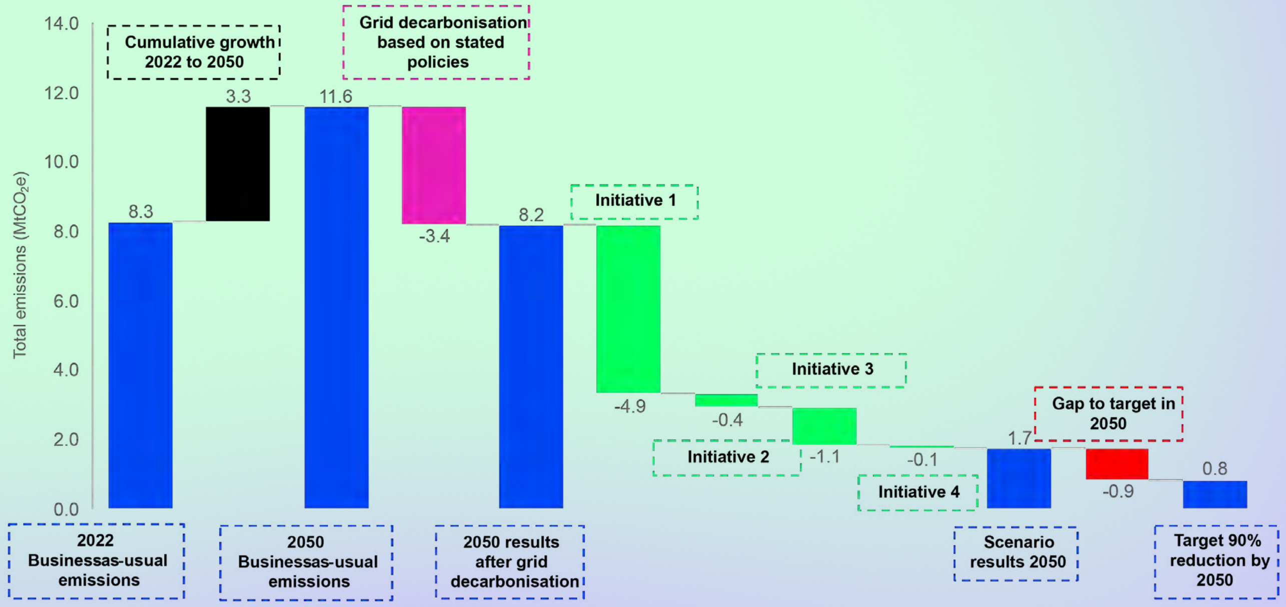
Supply chain complexities and globalised supply chains impede the implementation of uniform sustainability regulation. Short-term, opportunistic supplier contracts and reluctance to build long-term, collaborative relationships hinders progress to Net Zero.

Decarbonisation requires new technology and infrastructure at scale to support the transition to low carbon production, such as replacing the use of coal in manufacturing facilities. Technology for recycling and upcycling fibres is emerging but more development and investment is needed.

STRATEGIES AND SOLUTIONS

Many brands are struggling to meet their targets. Identifying the risks and opportunities of climate change will allow organisations to assess longer-term business priorities and show leadership its impact on performance. Understanding emission hotspots and areas of intervention can help organisations deliver their transition to Net Zero.

DECARBONISATION STRATEGY OUTPUT EXAMPLE



THERE ARE SEVERAL KEY FOCUS AREAS TO PRIORITISE:

1. TRANSFORMING THE NATURE OF SUPPLY CHAIN RELATIONSHIPS

Long-term relationships with suppliers and the move away from purely transactional practices will be key to building resilience in fashion's supply chains. Interventions to decarbonise material production and processing include the adoption of renewable energy sources (especially in countries where phasing out fossil fuels is more challenging) and investing in energy efficiency measures. Greater energy efficiency and the transition to renewable energy sources could abate 1 billion tonnes of emission in 2030 across the fashion value chain.

2. SUSTAINABLE MATERIALS

Brands must invest in sustainable raw materials such as organic cotton and recycled polyester and remove towards waterless dyeing and digital printing. Brands should align low carbon interventions with other sustainable strategies addressing land impact, animal welfare, and worker wellbeing. There is also an opportunity to innovate with next-generation materials, including bio-based and waste-derived fabrics.

3. CIRCULAR ECONOMY PRACTICES

Circular business models are a key lever for decarbonising end-of-life emissions. Brands must design products for longevity, promote repair and reuse, and develop recycling programmes. This approach minimises waste and maximises resource efficiency. The Carbon Trust helped iconic footwear brand Dr. Martens understand the carbon impact of a dedicated repair and resale model and assessed to what extent a recommerce model would help the brand cut its emissions in line with its growth projections

4. DIGITALISATION

Digitalisation is transforming the fashion industry by enabling better stock management and facilitating on-demand production. By leveraging real-time data on customer trends and demand, brands can accurately forecast inventory needs, reduce overstocking and minimise waste.

5. COLLABORATION AND PARTNERSHIPS

Collaboration is critical to achieving Net Zero. German fashion companies are partnering with industry stakeholders, NGOs, and government bodies to share knowledge, resources, and best practices. Initiatives like the European Fashion Pact, the German Sustainable Textile Initiative and Cascale exemplify these collaborative efforts.

6. FINANCIAL INVESTMENTS

Research shows an estimated $1 trillion is required to finance the decarbonisation of the fashion industry by 2050. Sustainable finance is vital and companies that leverage sustainable finance outperform their peers in both environmental impact and financial resilience Adidas, for example, aims to use 100% recycled polyester in all products by 2024 and reduce its operational emissions through green financing.

CONCLUSIONS AND RECOMMENDATIONS

Supply chains in climate-vulnerable regions means the industry faces disruption, financial loss, and harm to workers if no action is taken. Net Zero offers opportunities for reducing these risks, in addition to market differentiation, enhanced brand value and innovation. Decarbonising the fashion sector and shifting from unsustainable growth requires investment, collaboration, and bold action. Industry programmes, materials innovation, and supply chain transparency will support the sector in its Net Zero goals, benefiting both people and the planet.

ReHubs

Moving the European Textile and Fashion Industry Fast Forward on Textile Waste Recycling

Provided by Kirraly Antcliff, Petra Schweiger and Chris Deloof.

The fashion and textile industry is facing significant challenges, including growing textile waste, from overproduction and overconsumption. To address this issue, the industry must embrace a circular approach, by scaling up textile-to-textile recycling and the adoption of recycled fibres playing a crucial role in closing the loop.

A circular approach involves extending the lifecycle of textile materials and products through actions such as repair, reuse, and remanufacturing. The goal is to keep materials at their highest value for as long as possible. However, at the end of their useful life, recycling becomes essential to prevent materials from being incinerated or landfilled, thereby keeping them in a closed-loop system and reducing the need for new raw materials.

The need to shift from a linear to a circular textile industry is driven by many factors including growing consumer awareness towards sustainability, the urgent need for climate action and an increasingly regulated landscape. Incoming regulations from the European Commission, such as the Waste Framework Directive, the Ecodesign for Sustainable Products Regulation (ESPR), and the EU Strategy for Sustainable and Circular Textiles are looking into possibly setting requirements for recycled content, disclosure of product sustainability information, export of textile waste restrictions and more. Additionally, by 1 January 2025, Europe's member states will face the compulsory challenge of setting up separate collection systems for used textiles.[1] To remain competitive, the industry will need to undergo a deep transformation towards circular business models.

To address the growing problem of textile waste, reducing production and consumption volumes is critical. However, dealing with existing textile waste will require scaling up textile-to-textile recycling which will demand an openness to collaboration and in this context, ReHubs emerges as a pivotal force.

As a partnership-based collaboration hub, ReHubs' mission is to support the scaling up of textile-to-textile recycling within Europe by bringing together leading stakeholders from across the fashion and textile value chain to further the collection, sorting, processing, and recycling of textile waste. Through fostering collaboration beyond competitive and geographical boundaries, ReHubs aims to close the loop and support the widespread adoption of recycled fibres. To address the challenges faced by the industry, ReHubs assists in attracting and facilitating direct relationships to financing and investment support for its partners to engage in projects.

While textile-to-textile recycling holds great promise as innovations and intense R&D continues to develop, several challenges still hinder its growth.

[1] Management of used and waste textiles in Europe's circular economy, EEA, https://www.eea.europa.eu/publications/management-of-used-and-waste-textiles

Today, used textile sorters focus on sorting items initially for resale, which is an important part of their business to remain viable. Remaining volumes that cannot be repurposed in a sustainable manner should be preferably redirected towards recycling. The current reality, however, is that these often end up being landfilled or incinerated as sorting for recycling also often lacks the financial incentives. Sorting for recycling is still a relatively new area, and hence presents different challenges. For textile sorters, criteria such as product categories, material composition, and colour can differ among companies. This can lead to a misalignment between the understanding and goals of textile sorters and the specific needs of recyclers as textile recyclers often possess different requirements based on their technological approach from mechanical to chemical recycling which will influence the feedstock needed. Additionally, the sorting and pre-processing stages are currently labor-intensive as sorting remains largely manual, and while new technologies are emerging to automate this process through detecting material composition, there are still limitations, especially with multi-layered products like winter jackets. Thus, sorting for accuracy and efficiency is increasingly critical to provide high-quality feedstock for emerging recycling technologies that rely on predictable sources.

Beyond the technical bottlenecks, another challenge is the perception of recycled fibres among various stakeholders, including designers, manufacturers, and consumers as concerns about the durability and quality of recycled materials can hinder their adoption. As lead times vary, costs are higher and volumes today are often smaller for recycled fibres, brands and buyers will need to work differently to adapt their calendars and purchasing practices to meet the capabilities of such recycled fibres, and to support the long-term scaling up and take off of these technologies. Brands will need to be willing to wait and make long term commitments to support textile recycling innovators to scale.

To establish a circular textile industry, the challenge of addressing restricted substances and legacy chemicals within recycled fibres will also need to be solved. As the list of chemicals restricted under the EU's REACH regulation continues to grow, many legacy garments do not meet today's requirements, which creates a complex situation for textile recyclers. The doubtful composition and resulting compliance of the even larger volumes of imported garments from outside Europe further adds to this complexity. If future regulations, such as the ESPR would imply that products contain a percentage of recycled content and address the presence of substances of concern, more information will be needed and ReHubs supports these efforts by gathering data and business intelligence related to recycled fibres and building knowledge from real projects.

Consumer behaviour also plays a vital role in establishing a circular textile ecosystem. With post-consumer textiles being a major contributor to textile waste in Europe, guiding consumers on proper disposal at a product's end-of-use is crucial to reduce the volumes ending up in mixed municipal waste. Today, street containers are common points for used textiles collection and as collection becomes mandatory across EU member states in early 2025, the effectiveness of textile recycling—and the broader transition to a circular economy—depends significantly on consumer participation and the development of well organised, systematic infrastructure for the convenient collection of used textiles on a local and EU level.

As the industry takes steps towards a more sustainable and circular future, the collaboration and knowledge triggered by ReHubs and its partners' projects will support the industry in overcoming technical challenges, shifting perceptions towards recycled fibres, and contributing positively to shifting consumer behaviour. Ultimately, the journey towards making recycled textiles commonplace is one of collective action and continuous improvement as all the challenges are never in isolation but a part of a larger ecosystem. Yet, the question remains: will the industry seize the opportunity and fully realise the potential of textile-to-textile recycling?

We will find out as it continues to unfold, with the future of the European circular textiles industry depending on how well the industry can collaborate to overcome challenges to make textile-to-textile recycling a reality. One thing is certain though: ReHubs is here to move the European textile and fashion Industry fast forward on textile waste recycling.

©Recover

Beyond Compliance

Preparing Fashion Brands for CSDDD and Sustainability

Provided by Philipp Mayer, CPO & Co-Founder of Retraced

In recent years, the fashion industry has been under increased scrutiny due to its environmental and human rights impacts. New regulations like the Corporate Sustainability Due Diligence Directive (CSDDD) require brands to navigate increased accountability. This shift isn't just about compliance; it's about fundamentally changing how companies approach their supply chains, balancing profit with purpose. Regulations like the CSDDD offer brands an opportunity to balance profit with purpose by making sustainability a central focus.

THE NEW ERA OF RESPONSIBILITY

Effective from July 2024, the CSDDD requires businesses to perform due diligence across their supply chains for environmental and human rights issues. This shift compels brands to proactively identify risks, mitigate adverse impacts, and ensure operations align with global sustainability goals.

The directive applies to large EU-based companies and global businesses with substantial European market exposure. With implementation phases stretching from 2027 to 2029, businesses of all sizes must understand their responsibilities. This responsibility extends beyond internal operations to subsidiaries and partners both upstream and downstream.

For many, this shift poses a significant challenge. Compliance is no longer a simple box-ticking exercise but a continuous process that requires transparency at every step. Brands must map their entire supply chain, identify risk hotspots, and engage with partners to create a culture of responsibility. This requires a thorough understanding of the different stakeholders involved and a commitment to ongoing evaluation and engagement.

UNDERSTANDING AND ADDRESSING RISK

Brands need to map their supply chains, identify risk hotspots, and engage partners to foster a culture of responsibility. Achieving this requires thorough stakeholder engagement and continuous evaluation. The process begins with mapping the supply chain—an often complex web of manufacturers, suppliers, and raw material sources.

By identifying each link, businesses can better understand the challenges specific to different regions and industries. For instance, a company sourcing textile from regions with poor labor laws or high levels of environmental degradation will need to prioritize mitigating these risks through contracts, audits, and capacity-building initiatives with local partners.

In addition to risk prevention, companies must also devel remedial measures to demonstrate their commitment to rectifying violations, whether through monetary compensation or corrective action plans. Transparent reporting of these efforts is crucial to build trust and demonstrate accountability, both to regulators and consumers.

COLLABORATION AS A KEY TO SUCCESS

Compliance with the CSDDD and other similar regulations is not achieved in isolation. Instead, it requires collaboration with partners across the supply chain. This includes working closely with NGOs, industry bodies, and even competitors to establish best practices and create a shared approach to sustainability
.

Brands that engage openly with stakeholders—whether they're suppliers, local communities, or consumers—will be better positioned to create sustainable, long-term strategies. Open dialogues are essential, not just for addressing grievances but for co-creating solutions that benefit everyone involved.

PREPARING FOR THE FUTURE: CLIMATE CHANGE AND BEYOND

While the primary focus of the CSDDD is human rights and environmental impact, it also compels companies to adopt a transition plan for climate change mitigation. This move is in line with broader international agreements such as the Paris Agreement, which aims for climate neutrality in the coming decades. Brands will need to assess their carbon footprints, set ambitious reduction targets, and actively work towards reducing their environmental impacts.

By taking meaningful action against climate change, companies not only comply with legal requirements but also respond to growing consumer and investor demand. In doing so, brands have the chance to lead in creating a more sustainable fashion industry.

THE IMPORTANCE OF CONTINUOUS MONITORING AND TRANSPARENCY

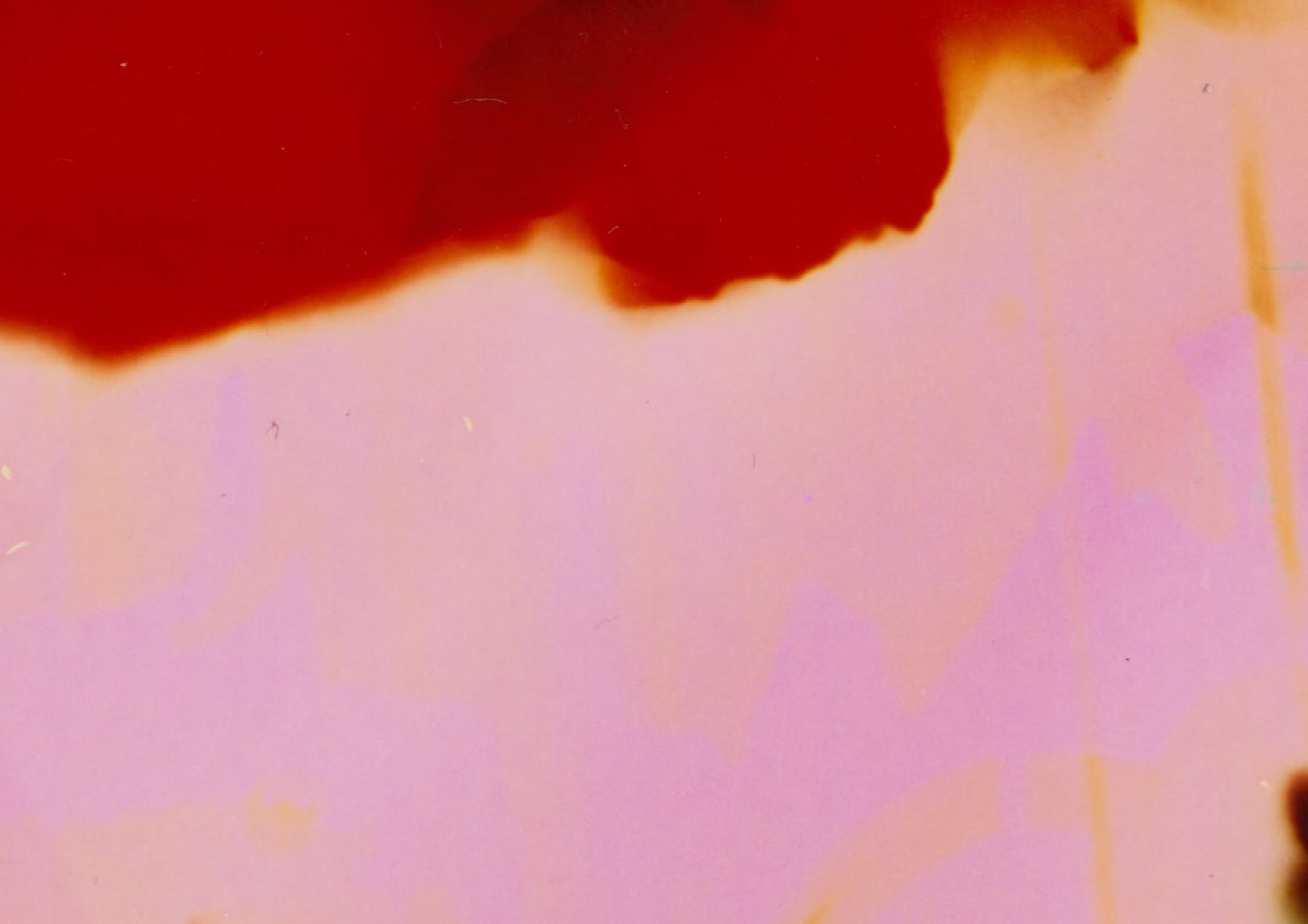
Once a brand has implemented its due diligence processes, continuous monitoring is vital. Fashion brands must stay vigilant, conducting regular audits and assessments to ensure that their policies remain effective in preventing and mitigating risks.

As the regulatory landscape evolves, businesses must stay adaptable. The CSDDD mandates that by 2027, detailed criteria for reporting requirements will be set, and companies will need to ensure their systems are robust enough to meet these new obligations. This level of transparency also plays a critical role in building consumer trust. In a world where consumers are increasingly conscious of the ethical implications of their purchases, being transparent about supply chain efforts can differentiate a brand from its competitors.

A PATH FORWARD FOR FASHION BRANDS

The CSDDD is more than just a legal requirement—it's a call to action for brands to rethink their global operations. By focusing on transparency, collaboration, and continuous improvement, brands can achieve compliance while strengthening their market position. In a world where sustainability is no longer optional, those that embrace transformation will thrive.

Learn more about due diligence legislation in the fashion and textile industry in this extensive guide.



ABOUT FASHION COUNCIL GERMANY

This study was developed by Fashion Council Germany e.V. (FCG) in collaboration with Oxford Economics and in partnership with eBay. FCG was founded in 2015 in Berlin by leading industry experts. It serves as a representative council for fashion „designed in Germany," advocating for the promotion of German fashion design both nationally and internationally as well as establishing it as a significant cultural and economic asset. Through its efforts to enhance visibility and foster interdisciplinary collaborations in politics, business, and culture, Fashion Council Germany plays a key role in advancing the global relevance and recognition of the German fashion industry.

Fashion Council Germany employs a range of initiatives to strengthen the German fashion sector in its breadth and depth. These programs focus on critical topics such as sustainability, internationalization, talent development, education, and innovation. A major emphasis is placed on promoting sustainable practices and supporting technologies that contribute to circular economy. Designers are encouraged to integrate innovative and environmentally friendly approaches into their work. Another key goal is the internationalization of German fashion, with FCG providing targeted support to facilitate market entry into significant foreign markets. To nurture young talent, FCG awards scholarships, prize money, and mentoring opportunities, offering creatives a solid foundation for their careers. This is complemented by educational programs that inspire young people to join the fashion industry and impart essential knowledge about future-focused topics such as sustainability and digitization. Additionally, FCG promotes exchanges between designers, retailers, and end consumers, offering platforms to enhance the visibility of German fashion companies. Conferences and networking events bring together decision-makers from fashion, business, and politics to discuss the future of the industry and generate new momentum.

About oxford economics

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts, and analytical tools on more than 200 countries, 100 industries, and 8,000 cities and regions. Our best-in-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social, and business impact.

Headquartered in Oxford, England, with regional centres in New York, London, Frankfurt, and Singapore, Oxford Economics has offices across the globe in Belfast, Boston, Cape Town, Chicago, Dubai, Dublin, Hong Kong, Los Angeles, Mexico City, Milan, Paris, Philadelphia, Stockholm, Sydney, Tokyo, and Toronto. We employ 700 staff, including more than 450 professional economists, industry experts, and business editors—one of the largest teams of macroeconomists and thought leadership specialists. Our global team is highly skilled in a full range of research techniques and thought leadership capabilities from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics.

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NOVEMBER 2024

The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

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- Jörg Ehrlich, Founder & Creative Director, Odeeh
- Julia Kirschner, Impact & Innovation Director, Armedangels
- Gernot Lenz, CEO, Tom Tailor
- Carolin Westermann, SVP Global Corporate Communications, Hugo Boss
- Jürgen Leuthe, CEO, Luisa Cerano
- Ines Rust, Co-Founder, Dawn Denim

FASHION FAIRS

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MEDIA REPRESENTATIVES & PR- AGENCY

- Magdalena Schaffrin, Co-Founder, Studio MM04
- Manuela Kampp-Wirtz, Co-CEO, Burda Verlag
- Mandie Bienek, FCG Executive Board & Co Founder, Press Factory
- Claudia Hoffmann, FCG Executive Board & Creative Fashion Consultant
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Appendix 2

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Disclaimer
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METHODOLOGY

Appendix 3

In this appendix, we explain in detail the procedure for calculating the economic impact for 2023. The impact stated for 2019 is based on the results of the last study.

CALCULATION OF TOTAL EXPENDITURE ON FASHION PRODUCTS

The starting point for calculating the economic contributions of the German fashion industry was to determine consumer spending on fashion products in Germany. The main source of data was the dataset by Destatis on consumer spending by private households in Germany, by purpose and by durability of goods. The dataset is published annually, and it breaks down total expenditure by superordinate categories such as clothing and shoes for the year 2023.

In this study, however, we opted for an even more detailed product breakdown. To do this, we used the data from the latest income and consumption sample (EVS) from Destatis. This dataset contains a more granular breakdown of German consumers' weekly spending based on categories such as men's clothing, women's clothing, jewellery, and watches, etc. We calculated the share of these detailed categories within the higher-level categories and applied these shares to the more general values used in the household consumption expenditure dataset.

CALCULATION OF THE DIRECT GVA AND EMPLOYMENT EFFECTS OF FASHION RETAILING

Consumer spending on fashion products, calculated using the methodology explained above, provides the baseline data for calculating the direct impact of fashion retail. We assumed that consumer spending on fashion equals fashion retailer revenue. From this, we deducted VAT at a rate of 19%.

We then applied assumptions from Eurostat's Structural Business Statistics (SBS) to these revenues excluding VAT to estimate the economic impact of the retail sector. The SBS contains data on the GVA contribution, turnover, and employment of a wide range of industries in Germany. Using these data, we were able to calculate the ratio of sales to GVA in the retail industry (both in-store and online) and the ratio of GVA to employment. By applying these ratios to our sales estimates, we were able to determine the direct GVA and employment effects of this segment of the fashion industry.

CALCULATION OF DIRECT GVA AND EMPLOYMENT EFFECTS FROM FASHION WHOLESALE AND THE MANUFACTURE OF FASHION PRODUCTS

In estimating the direct impact of fashion production[1] and fashion wholesale[2] , we again used GVA and employment figures from the SBS. As the data broken down by sector do not include details of product type, we used our own estimates of spend by product to break these figures down by product type. For example, we applied the menswear share of clothing expenditure to the total GVA contribution of wholesale clothing and footwear to determine the direct GVA effect of wholesale menswear.

The current SBS data available at the time of writing this report were from 2022 and therefore had to be adjusted to provide an accurate picture of the industry in 2023. To do this, we applied Destatis' detailed 2023 turnover and employment growth rates for the wholesale and manufacturing subsectors to our 2022 results.

[1] We considered the economic sectors "Manufacture of wearing apparel" and "Manufacture of footwear" as well as parts of "Manufacture of luggage, handbags and similar articles" and "Manufacture of jewellery and similar articles".

[2] We considered the economic sectors "Wholesale of clothing and footwear" and "Wholesale of jewellery and watches".

CALCULATION OF DIRECT GVA AND EMPLOYMENT EFFECTS FROM THE PRODUCTION OF FASHION TEXTILES AND FASHION ADVERTISING

Similar to our approach for retail trade, we used the ratios of turnover to GVA and number of employees derived from the SBS to estimate the economic impact of the manufacture of fashion textiles and fashion advertising. However, a different approach was required to calculate the turnover generated in the manufacture of fashion textiles and fashion advertising.

To determine the turnover of these sectors, we first estimated the distribution of procurement expenditure in the fashion product manufacturing and wholesale sectors using input-output (IO) tables from Eurostat. These show the extent to which the various domestic industries purchase goods and services from each other and the size of their imports, exports, and GVA contributions. This made it possible to estimate the extent to which domestic and foreign manufacturers and wholesalers of fashion products purchase from textile manufacturers. It was also possible to estimate the purchases made by fashion manufacturers, wholesalers, and retailers from advertising companies. As the procurement expenditure of one sector provides an approximation of the turnover of another sector, we assumed that these procurement figures correspond to the total fashion-related turnover of the two segments analysed. We then proceeded as before for the retail sector to determine the direct GVA and employment effect.

CALCULATION OF THE DIRECT IMPACT OF FASHION MAGAZINES

We estimated the economic impact of fashion magazines based on a list of the 11 most important publications provided by the Fashion Council Germany. We estimated sales based on circulation figures from IVW (Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern e.V.). These figures are broken down into retail sales, subscription sales, electronic sales, and copies used in reading circles. To determine total sales, we multiplied these circulation estimates by the list prices for the various formats. Fashion magazines also generate a significant proportion of their revenue from the sale of adverts. We used advertising revenue data provided by Nielsen for the individual publications.[3]

[3] Retrieved from PZ-online.de

To estimate the economic impact of these sales, we used the ratios of sales to GVA, and number of employees derived from the SBS for the publishing of magazines and newspapers sector.

CALCULATION OF THE DIRECT EFFECTS OF FASHION TRAINING

According to official data collected by Destatis, 5,625 students were enrolled in textile design and textile and clothing technology degree programmes in Germany in the academic year 2022/2023.[4] Based on the previous study, we assumed that the ratio of students to professors was around 20:1.

Based on this, we can assume that there were approximately 281 teachers teaching in these programmes this year. We then used data on average gross earnings in the higher education sector[5] to determine the total earnings attributable to fashion education, and then used this as the estimated economic contribution of the sector.

[4] Destatis, student statistics database, 2024.

[5] Destatis, database for the quarterly earnings survey, 2024.

CALCULATION OF THE INDIRECT AND INDUCED EFFECTS OF THE FASHION INDUSTRY

To calculate the indirect and induced economic effects of the fashion industry, we first estimated the procurement expenditure of the individual subsectors of the fashion industry using input-output tables for Germany. These show the extent to which sectors purchase goods and services from each other. However, we had to exclude intra-industry expenditure to avoid double counting in the indirect effect of one subsector and in the direct effect of another subsector. We therefore made the following adjustments:

- We subtracted the value of goods purchased by retailers and wholesalers for resale from their total procurement expenditure. This ensured that we did not double count sales for the same item when it is purchased sequentially by wholesalers, retailers, and consumers.
- For each subsector, we eliminated the procurement spend attributable to manufacturers (of both fashion items and textiles) and advertisers in the fashion industry.

The input-output tables also provided information on the labour costs of each industry and the types of products on which consumers spend their wages. This allowed us to estimate the total wage payments of each subsector of the fashion industry and to identify the specific products purchased by the employees receiving these wage payments. In line with the approach described above for eliminating fashion expenditure from total production and advertising expenditure, fashion expenditure was removed from these breakdowns to avoid double counting.

The breakdown of procurement expenditure and employee wage expenditure was then used as input for our economic impact analysis to calculate the indirect and induced impacts of the fashion industry.

CALCULATION OF TOTAL TAX PAYMENTS

To estimate the taxes on labour income (income tax and social security contributions), we used the average salaries in the fashion industry, taking into account the tax rates applicable in Germany. We then multiplied this value by the total number of employees. We proceeded in a similar way to estimate the indirect and induced tax effects: To do this, we used official data on average wages by industry, applied the tax rates to these incomes, and multiplied them by the number of indirect and induced jobs in each industry.

We estimated the fiscal impact for other taxes, such as corporate tax, by calculating the average effective tax rates in each country. We then calculated the indirect and induced tax contributions of the fashion industry by applying these tax rates to the corresponding previously calculated turnover figures.

In this study, we also calculated the sales tax payments from spending by fashion customers and in relation to the jobs created by the direct, indirect, and induced effects of the fashion industry. The sales tax on fashion products was estimated based on the ratios of sales tax to turnover. These were calculated using data from structural business statistics and then applied to the estimated turnover for fashion products. The share of VAT paid by employees on other consumer goods and services (excluding fashion) was estimated using average national tax rates.

Imprint

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