

**UnAvailable<sup>®</sup>**

# **Q2 Industry Update**

**2023**



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# INDUSTRY OUTLOOK INDUSTRY OUTLOOK INDUSTRY OUTLOOK [INDUSTRY OUTLOOK]

Despite the rocky start to 2023, certain brands are making progress. Mass-market and extreme luxury segments appear to be tapering off, while the middle sector of the fashion industry is experiencing growth. The concept of “quiet luxury,” characterized by restrained branding and a focus on quality materials and manufacturing, has gained popularity among consumers.

Sustainability and transparency have become central to many brands’ priorities as the industry strives for a better future. Countries like France and the UK are implementing stringent laws and policies regarding single-use plastics and raw material criteria, setting an example for global sustainability efforts. The hope is that more countries will follow suit, establishing structured rules that hold suppliers accountable and drive responsible practices globally.

Looking ahead to the third and fourth quarters of 2023, the outlook is somewhat brighter compared to the first half. However, much depends on governments’ ability to control interest rates and inflation to mitigate the cost of living crisis. Ensuring that consumers have more disposable income to spend on non-essential items will be crucial for sustained recovery.





# GLOBAL GLOBAL GLOBAL [GLOBAL]

The first half of 2023 presented significant challenges for businesses worldwide, including the fashion industry. The lingering effects of the COVID pandemic, referred to as the “COVID hangover,” continued to impact businesses, leading to increased costs and excess stock. Although many brands managed to reduce their stock levels during this period, the second quarter witnessed the highest interest rates in decades across Western and Eastern economies.

The bankruptcy of SVB and Credit Swiss further undermined confidence in the global banking sector. However, swift government interventions prevented a widespread ripple effect, containing the damage to a large extent. These challenges were compounded by a persistent cost of living crisis, resulting in reduced consumer spending across various sectors.

The manufacturing sector experienced a significant decline due to decreasing consumer demand. Asian factories, in particular, saw orders plummet by up to 70%, leading to layoffs and reduced working hours. The decline in income had a domino effect on households’ disposable incomes, resulting in reduced spending on non-essential items and further exacerbating the decline in demand.



Amidst the various challenges, there are glimpses of hope that deserve attention. The latter part of the second quarter witnessed some improvement in the markets, though they are still a long way from the robust levels of previous years. This slow and progressive improvement indicates early signs of a potential recovery. Nevertheless, experts have conflicting opinions about the future direction of the global economy. There is uncertainty about whether the worst is already behind us or if the United States may enter a recession by the end of 2023, further extending the decline until 2024 before a rebound takes place. In the midst of this uncertain climate, it is clear that times are changing.

The introduction of advanced AI technologies such as GPT4 and the prospect of GPT5 will have long-lasting effects on businesses worldwide. AI, once seen as futuristic, has made significant strides recently, even capturing the attention of the general public. Termed the “digital renaissance,” these advances will revolutionize various business functions, particularly those involving data, algorithms, and interaction. While some remain skeptical of the potential dangers, it is undeniable that AI is becoming an integral part of everyday life, propelling progress at an accelerated pace.





# CONSUMER TRENDS CONSUMER TRENDS CONSUMER TRENDS [CONSUMER TRENDS]

With high grocery prices putting a strain on household finances, consumers are being forced to make tough decisions about where to allocate their discretionary spending. For many, this has resulted in sacrifices in the area of fashion, as they prioritize their basic needs over indulgences.

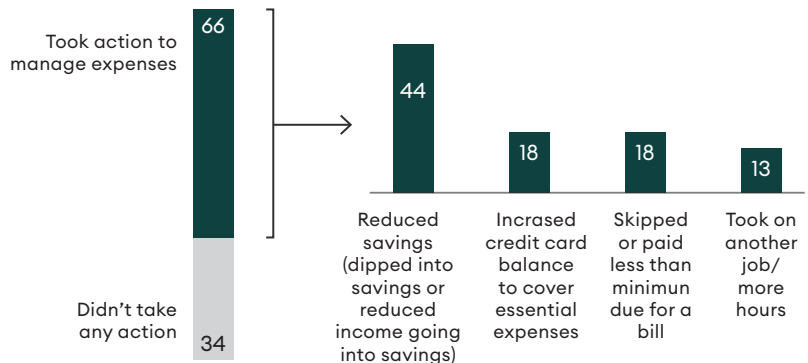


“We see younger and less affluent customers spending much more cautiously on discretionary items and often waiting for promotions before buying.”

- said Richard A. Hayne, chief executive officer of retail group Urban Outfitters.

With the rise in inflation, 66 percent of consumers are actively responding. Out of this group, 44 percent are either withdrawing from their savings or reducing their saving contributions.

Interestingly, while inflation may not be a top concern for younger consumers, they are focused on financial management. A majority of Gen Z and millennials, more than 75%, are making adjustments to their balance sheets.



Source: McKinsey US Consumer Pulse Survey

## CONSUMER SHIFT

**Global shoppers are sometimes feeling and acting in contradictory ways.**

(The Consumer Pulse Survey, McKinsey & Company, April 2023)

Although consumers express concern about the impact of inflation on job security and the cost of goods, they maintain an optimistic outlook and continue to spend. There has been a slight upswing in positivity: 36% of consumers are optimistic about a fast economic turnaround.

However, driven by optimism, both high and low-income consumers are pulling back. Percent of Gen Z planned to splurge in May are down, from 64% in March to 58% in May. Surprisingly, high-income consumers scaled back their spending more vigorously than lower-income groups. This is the first time in more than two years, high-income consumers' spending growth was negative.

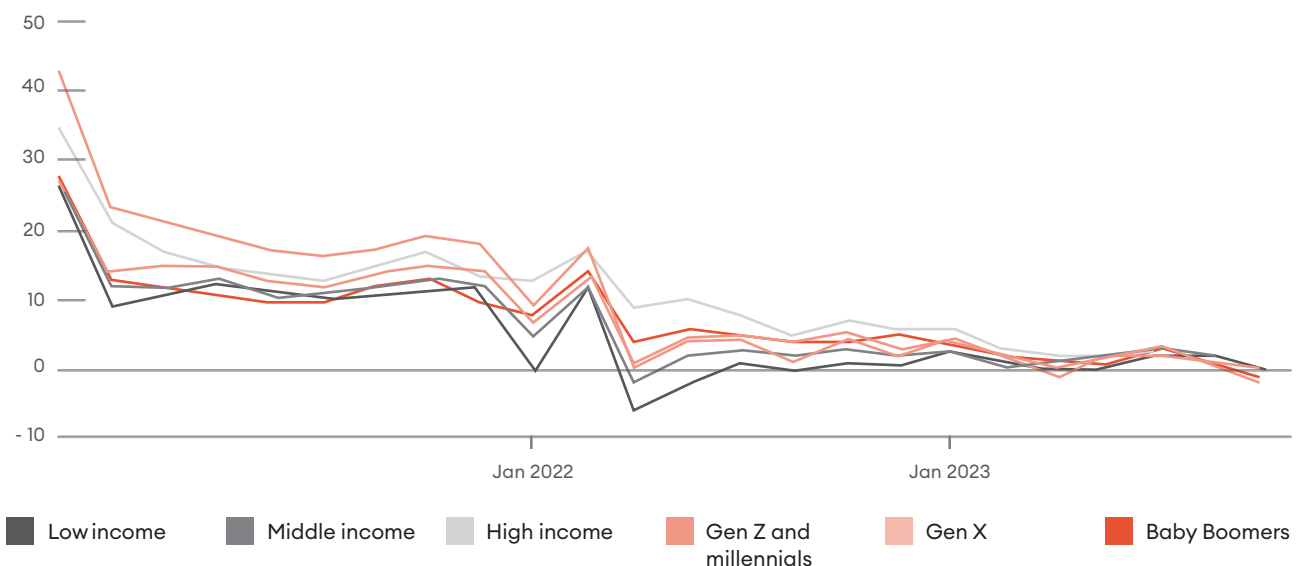
Having said that, individuals in younger age brackets and those in higher income categories are generally still the most hopeful regarding their financial future.

# 35%

of Gen Z and Millennials show a particular willinness to splurge on fashion

Source: McKinsey & Company, June 2023.

### YEAR-OVER-YEAR REAL CREDIT CARD SPENDING CHANGE, %

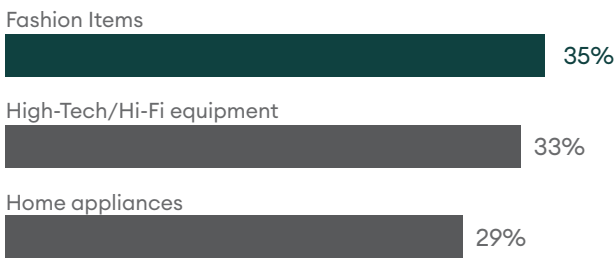


## THE IMPORTANCE OF PRODUCT INFORMATION

The cost-of-living has led to a change in consumer behavior. Since people are becoming more cautious about their discretionary spending, they spend more time for researching and validating purchases. According to a recent survey, 66% of consumers now spend more time looking in multiple places for additional product information.

### BROWSE INSTORE – BUY ONLINE

It is a common trend for fashion items to be among the leading products in terms of in-store inquiries, with consumers subsequently choosing to make their purchases online. Moreover, pricing and promotions significantly influence the information-seeking habits of individuals in this regard.



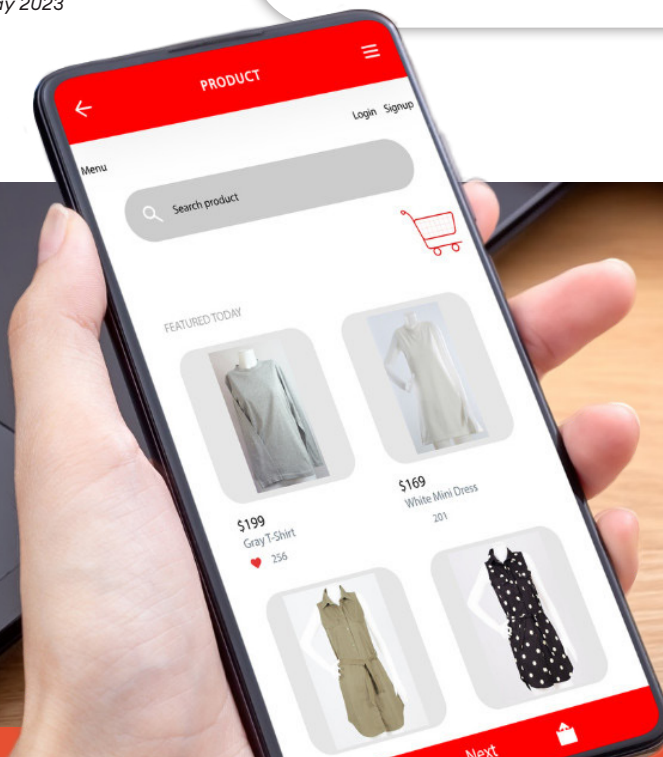
Source: Akeneo, 2023 B2C Survey Results, May 2023

### GOING OMNI CHANNEL – LEVERAGE TECHNOLOGY

With the advent of modern technology, consumers now interact with a vast array of touchpoints when it comes to discovering, researching, and buying products. Finding the perfect amount of product information becomes crucial for consumers to confidently proceed with a purchase.

Compelling consumers to search for information in different places raises the likelihood of them turning to competitor sites. A recent survey highlights that nearly two-thirds of consumers express a strong interest in incorporating innovative technologies like chatbots, voice assistants, and VR tools into their shopping routines. Thence, it is vital to consider the eCommerce merchandising capabilities of your technology stack to ensure seamless adoption of these evolving consumer preferences.

- A chatbox, or personal assistant
- A voice assistant
- Virtual or augmented reality tools

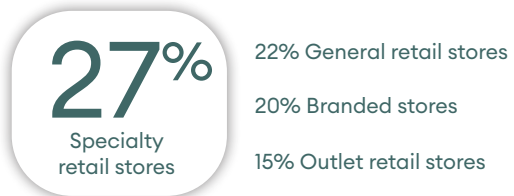


## SHOPPING BEHAVIOR

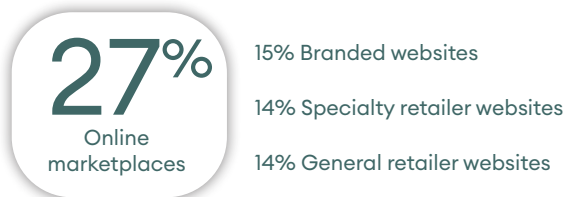
Statistics reveal that 60% of consumers are likely to give up on their purchase if they encounter a negative product information experience, regardless of the source.

This emphasizes the importance for brands to not only establish their presence on the appropriate channels suited for different devices, but also to prioritize delivering an optimal product experience and consistent messaging that aligns with each step of information retrieval.

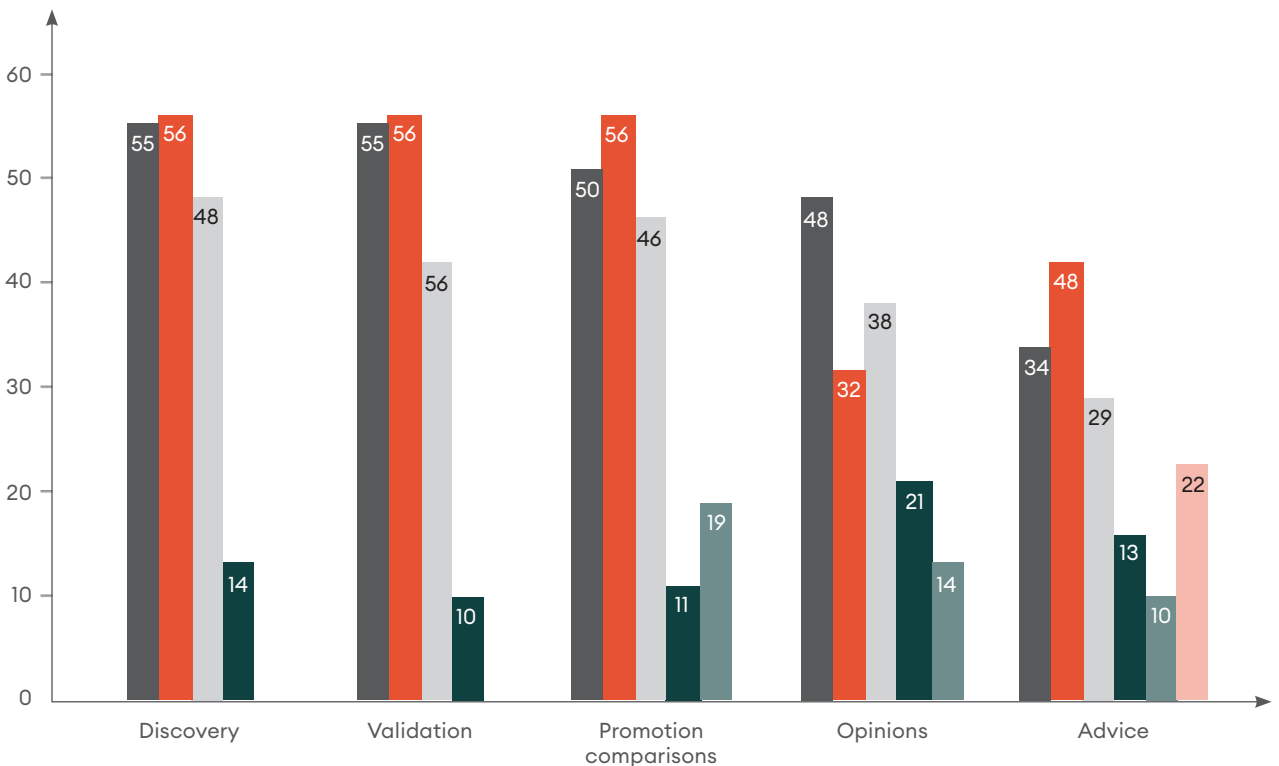
### TOP 4 PLACES TO BUY OFFLINE - Stores (in person)



### TOP 4 PLACES TO BUY ONLINE - Online (websites/apps)



Source: Akeneo, 2023 B2C Survey Results, May 2023



Source: Akeneo, 2023 B2C Survey Results, May 2023





## FASHION TRENDS

### QUIET LUXURY IS TAKING THE LEAD

“Quiet luxury” has become a prominent trend in the fashion industry in 2023. The idea of luxury has shifted from being flashy and highly branded to a more refined and understated approach that prioritizes quality and craftsmanship. This transition towards unassuming opulence is reflected in the Fall/Winter 2023 runways, where brands like The Row, Chloé, Fendi, and Chanel are presenting more classical and restrained styles.

This shift can be attributed to a variety of factors, including economic uncertainty, the impact of the pandemic, and a desire for more timeless and versatile pieces. Now in 2023, people are also decluttering our wardrobes, replacing transient trends with timeless staple pieces.

Younger generations, particularly Gen Z, are embracing quiet luxury as a grown-up fashion phenomenon. They view luxury purchases as investments and are conscious of the quality and longevity of the pieces they buy.

### GENDER-FLUID FASHION

As consumer attitudes towards gender identity and expression continue to evolve, gender-fluid fashion is experiencing a surge in popularity. This growing interest in gender-fluid fashion is primarily driven by younger generations, particularly Gen-Z consumers, who view their gender identities as more fluid compared to older generations. Notably, approximately half of Gen-Z individuals worldwide have made purchases in fashion that transcends traditional gender boundaries.

Ungendered apparel is seen as inclusive clothing, but not just because it’s a more modern approach to topics such as gender and identity, but rather for the sake of ease.

Consumers in North America, Europe, Japan and South Korea, among other locations, are expected to be the most receptive to gender-fluid strategies from fashion brands.



### SPRING/SUMMER 2023

The fashion landscape is undergoing a shift towards garments that are both versatile and effortless, incorporating innovative crafting techniques that push the boundaries.

The fashion scene can be divided into two distinct groups: one drawn towards delicate, translucent designs, while the other embraces a minimalist aesthetic. The demand for vintage clothing will continue to soar, fueled by the preferences of Gen-Z individuals for fashion reminiscent of the 90s and 00s. Furthermore, there will be an increased focus on practicality and functionality in everyday attire, with an emphasis on adopting a simple and easily wearable daily uniform.



**1 IN 2 GEN-Z**  
consumers on average  
have purchased fashion  
outside of their  
**GENDER IDENTITY**



# SHIPPING SHIPPING SHIPPING [SHIPPING]

## SEA

### FREIGHT RATES CONTINUE TO DECREASE

Following a surge to unprecedented heights during the pandemic, prices for sea transport have consistently declined, reaching a point where they are now even lower than prices before the pandemic. Forwarding businesses are facing increased competition, necessitating the consideration of new market elements to ensure their viability and growth.

### SCHEDULE RELIABILITY IMPROVEMENTS SLOWING DOWN

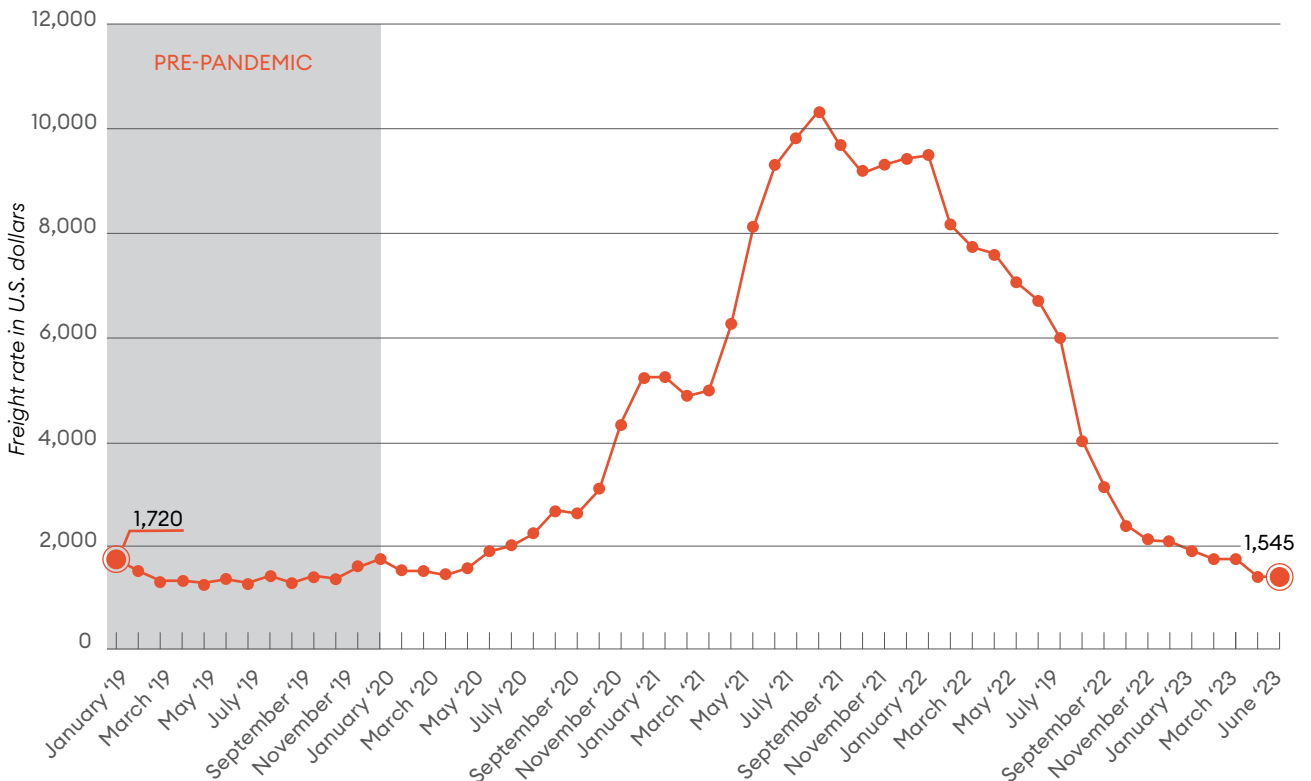
Sea-Intelligence reports a pattern of improving global schedule reliability from month to month; however, the rate of improvement has decreased steadily. In April 2023, schedule reliability increased by 1.7% month to month, reaching 64.2%, which is a 29.9% increase year on year. Additionally, the average delay for late vessel arrivals decreased from 0.72 days in March to 4.34 days in April.

### CARGO THIEVES STEALING BILLIONS ANNUALLY

The US Federal Bureau of Investigation notes that shoplifting at warehouses and distribution centers can cost businesses up to \$30 million annually. In times of economic hardship, theft tends to rise, leading to increased profits for thieves in the resale market. To prevent losses, it's crucial for warehouses, distribution centers, and parked trucks to have proper security measures in place.

### PORT OF LONG BEACH TRADE DROPS

Long Beach Port's container traffic has slowed since April 2023, leading to a rise in popularity for East Coast and Gulf Coast ports as shipping companies shift away from the West Coast.

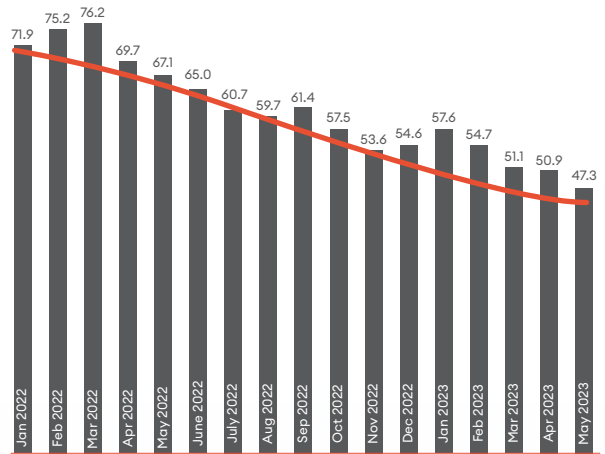


Freight rate index from January 2019 to June 2023 (in U.S. dollars)

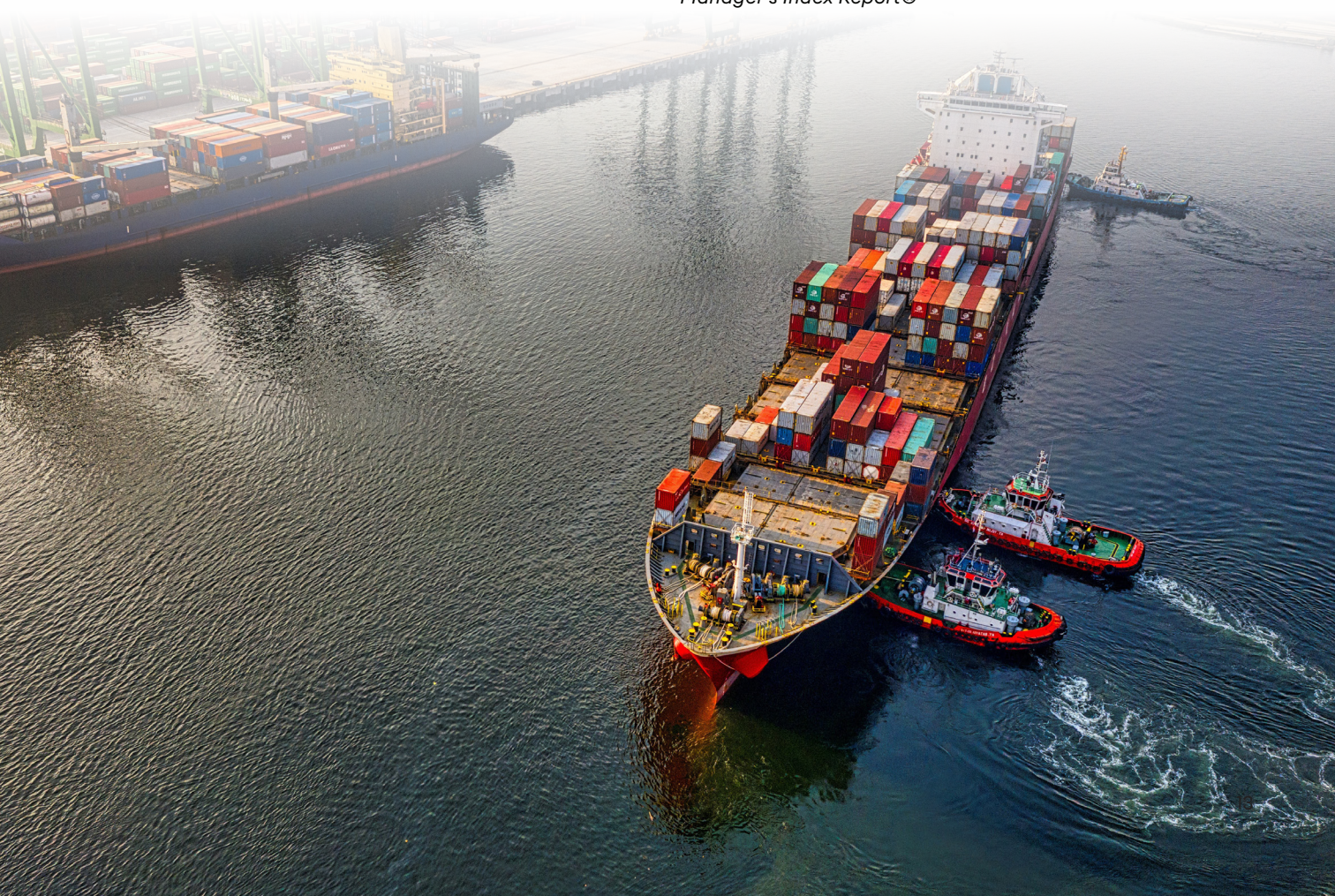
## SEA

### THE LMI - AN ALL TIME LOW

The US logistics managers index declined for the third month in a row to 50.9 in April 2023, according to data released in May 2023. This figure is down from 51.1 in March 2023 due to a drop in inventory levels, indicating companies' effort to balance their supply of goods. The inventory index's decline resulted in a corresponding fall in the warehouse utilization index and ultimately reduced warehouse prices. While the level of transport usage went up (up 5 to 55), the transport price increased slightly (up 5.7 to 36.8)



Source: Logistic Managers' Index, May 2023 Logistics Manager's Index Report®





**AIR**

**RATES SLIGHTLY INCREASE IN SPECIFIC TRADELANES**

High inventory levels and reduced purchasing power are causing relatively weak demand. Despite the low overall volumes, there has been a slight increase on a month-to-month basis.

In a similar trend to the sea freight rates, the air freight rates in Q2 2023 have also experienced a decrease in prices compared to the pre-pandemic period in 2019, with rates ranging from 2.50 to 4.50 per kilogram. Presently, the rates range between 1.30 and 2.70 per kilogram.

The spot market is highly competitive across most trade routes. These factors can be attributed to the unpredictable fluctuations in the dynamics of supply and demand, along with the significant surge in fuel prices.

Currently, the average price for jet fuel is 2.3 per gallon, in contrast to the average of 3.22 per gallon last year.

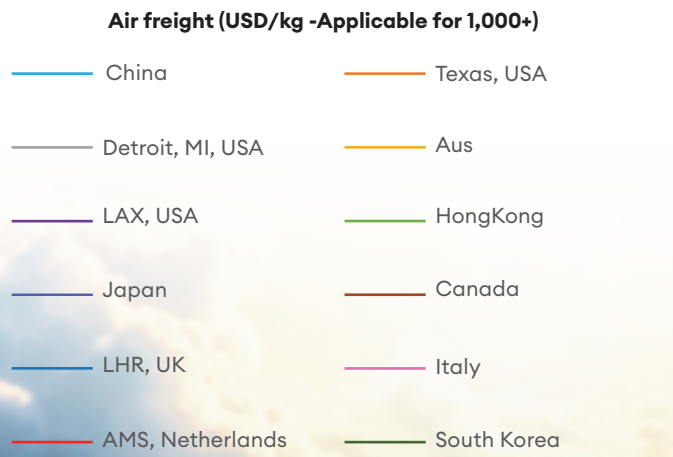
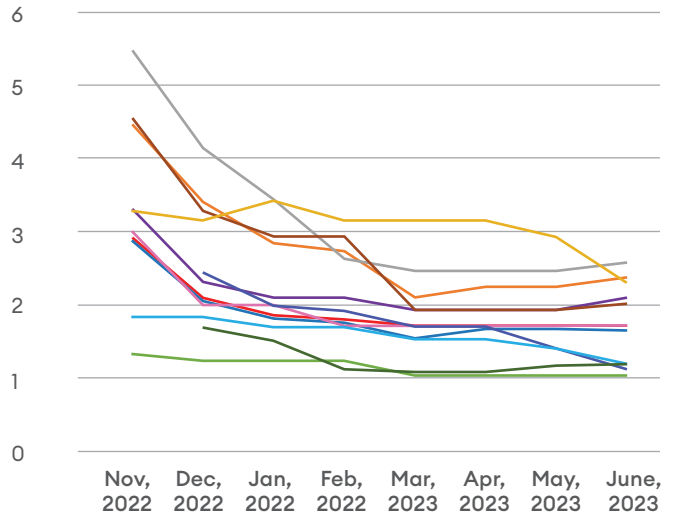
**DIGITAL INNOVATIONS IN AIR CARGO INDUSTRY**

Digitized air capacity in the industry has grown significantly, reaching 57% in Q1 2023 compared to 38% in Q1 2022 and only 3% in Q1 2019.

The traditional method of air freight booking is inefficient and lacks transparency, relying on paper-intensive processes and back-and-forth communication. In contrast, digital air freight and e-bookings streamline the process, offering real-time pricing and instant connections to improve efficiency.

**IATA'S ONE RECORD PROJECT  
- PUTTING AN END TO THE 'BLACK HOLE'**

Historically, shippers commonly referred to logistics and transport as a "black hole" from the moment a package was shipped, there would be no information available until it arrived at its final destination. IATA aims to ensure that each member airline has the ability to share and exchange data using ONE Record by January 1, 2026. from thousands to only four.

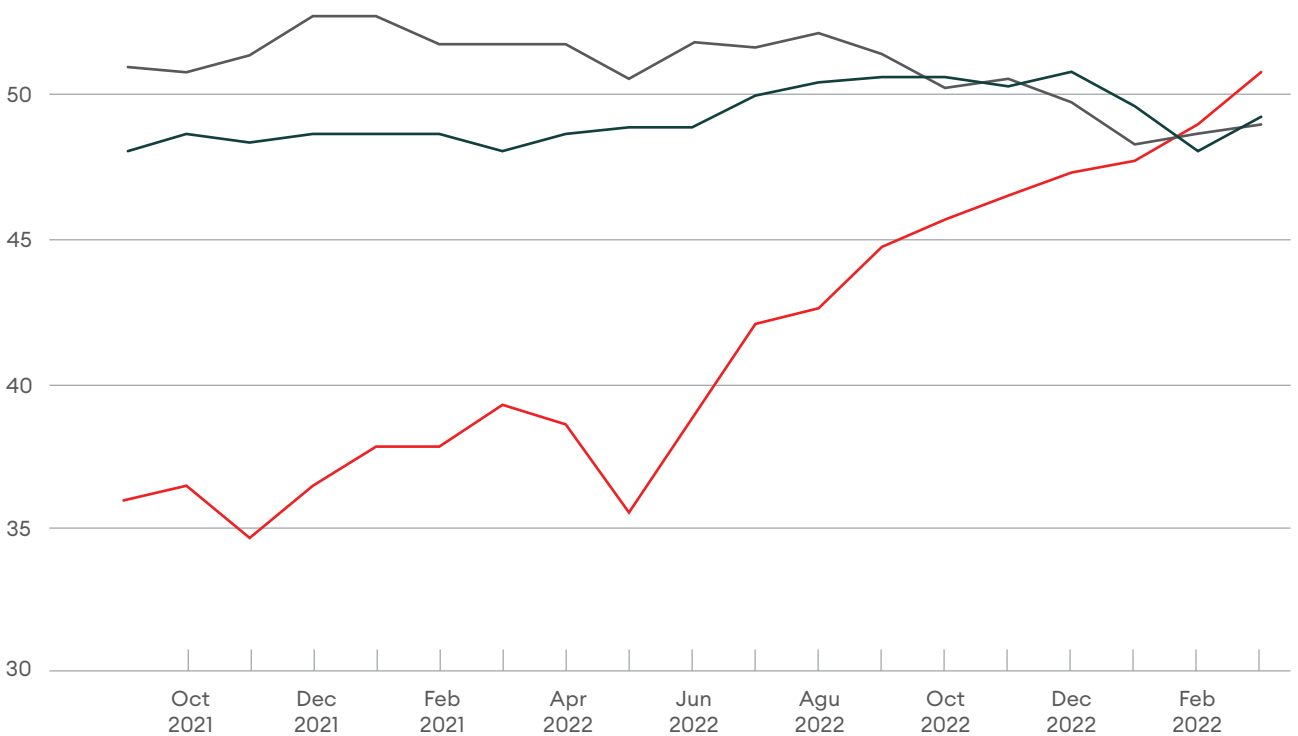


# SUPPLY CHAIN SUPPLY CHAIN SUPPLY CHAIN [SUPPLY CHAIN]

During the second quarter of 2023, the global supply chain is starting to regain its pre-pandemic equilibrium, evidenced by the improvement in supplier delivery times and the lowest shipping rates observed since September 2020. Despite this, the latter half of the year is fraught with challenges, such as geopolitical tensions, the direction of corporate sourcing strategies, and the implementation of the EU's Carbon Border Adjustment Mechanism.

With China back in the fray, 2023 promises stronger competition among Asia's manufacturing powerhouses in the ongoing redistribution of trade flows. Meanwhile, as new supply chain challenges arise from greater sourcing diversification and the increased impact of ESG regulations, more businesses are turning to digital solutions to improve supply chain visibility, take control of product quality and manage supplier compliance.

High inventory levels continue to dampen global manufacturing demand, but there's some optimism 2023 will end on a more positive trend.



**Supplier delivery times back to pre-pandemic level**

Source: S&P Global, Global Supply Chains - What to Watch in Q2 '23

Stocks of Finished Goods
  Stocks of Purchases
  Suppliers's Delivery Times

## MATERIALS

Several brands have prioritised sustainability-related innovation, using partnerships with fibre producers to bring recycled or circular materials to market.

### MANUFACTURING IS MOVING FROM CHINA TO VIETNAM

The move towards outsourcing in Vietnam is partly due to prominent companies such as Apple, Samsung, Nike, and Adidas establishing their manufacturing facilities in the country. Additionally, the ongoing US-China trade war has played a significant role, with businesses seeking a more convenient manufacturing destination outside of China. As a result, this trend has created a substantial interest in Vietnam’s manufacturing industry among companies of all sizes, keen on cutting production costs while maintaining high-quality products.

Chinese manufacturers have provided us with a competitive price point and shorter shipping times when it comes to materials and trims sourcing. In addition, the advantage that Chinese manufacturers hold in material sourcing empowers us to customize and develop top-of-the-line products.

### THE TREND FABRIC WE ARE SEEING AT THE MOMENT

- Waffle, Boucle, Linen & Slub yarns
- Lighter fleece, Lighter fleece, Sherpa
- Mesh, Sporty/ casual fabric (mix cotton & polyester)
- GOTS-certified, BCI-certified cotton
- GRS certified Nylon and Cotton

**80%**

consumers in a survey said sustainability was an important factor when selecting a fashion brand to shop from

## SUSTAINABLE FABRIC

As a textile manufacturer, we have always been committed to staying ahead of the curve by integrating sustainable practices into our manufacturing strategies. Taking into account the younger generation’s desire for a more sustainable future, we have been focused on developing eco-friendly materials that are both durable and affordable.

Our aim is to ensure that we produce textiles that meet our customers’ needs for quality products that align with their values. The fabrics mainly are GOTS, BCI and GRS certified fabrics.



At the same time, in response to the growing environmental concerns of our clients, we have invested in offering a soluble and dissolvable bag that is not only environmentally friendly but also of high quality and price attractive. The bags have been designed to dissolve quickly and efficiently in water, without leaving harmful waste residues, and are made from materials that are free from toxins and other harmful substances. With our eco-friendly packaging solution, our customers can enjoy the perfect blend of functionality, cost-effectiveness, and sustainability while being mindful of the environment.



## COTTON PRICE

After climbing over 85 cents/lb in mid-April, the July futures contract collapsed to values below 80 cents/lb before the end of the month. Over the past month, NY/ICE contracts continued to swing back and forth within the limits of the ranges that have contained them since late 2022.

However, the price remains significantly lower, reaching only half of last year's price, attributed to the relatively subdued demand. The highest daily spot cotton price for 2022 was achieved on May 4th at 149.76 cents per pound.

The increasing prevalence of blending cotton and polyester in fabrics has caused numerous brands to transition to alternative base materials. Consequently, suppliers are exercising greater caution in their cotton production, striving to strike a balance that accommodates the shifting demand. As a result, lead times are typically longer than before.

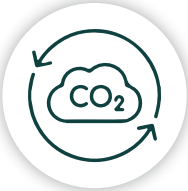




# SUSTAINABILITY SUSTAINABILITY SUSTAINABILITY [SUSTAINABILITY]

## TACKLING GREENWASHING

### NEW CARBON ACCOUNTING RULES



The International Sustainability Standards Board (ISSB) has unveiled IFRS S1 and IFRS S2, signaling a paradigm shift in sustainability disclosures across capital markets worldwide. These standards are designed to bolster confidence and accuracy in company disclosures on sustainability matters, empowering investors with valuable insights to inform their investment decisions. Furthermore, for the first time, these standards establish a common language for disclosing the impact of climate-related risks and opportunities on a company's future prospects.

### SUPPLY VISIBILITY



Traceability and transparency within the supply chain can serve as the ultimate remedy against greenwashing. When information is readily accessible, brands are unable to make false claims, as the truth is easily accessible to all. Utilizing state-of-the-art AI, cloud, and enterprise network technology, businesses can now meticulously map and monitor their supply chains with unparalleled accuracy. A positive ESG strategy not only ensures a stable supply chain but also instills confidence in businesses.





## UA'S SUSTAINABILITY UPDATES

### NO-PLASTIC WASTE WORKPLACE

Un-Available has taken the initiative to be at the forefront by implementing a ban on the utilization of single-use plastic waste in our daily operations.

By enforcing a strict no-plastic policy, UA not only refrains from bringing plastic items into the factory but also strives to minimize the amount of plastic sourced from suppliers and during deliveries.

### ENERGY EFFICIENCY WORKPLACE

In Q2 2023, Un-Available has made significant progress towards enhancing energy efficiency. This includes the segregation of lights and fans to effectively manage energy consumption, as well as the installation of a waste heat collection system for air compressors. These measures aim to prevent any negative effects on equipment and minimize the energy inefficiency of the machines.





# UA OUTLOOK UA OUTLOOK UA OUTLOOK [UA OUTLOOK]

Coming out of COVID the world wanted a new start and this was as apparent in the garment sector as any other. New product, new look, new feel! Subsequently we've never had so many requests for development, even some long standing brands who had used the same base cloth for close to a decade decided this was the year for change. With units per style considerably lower than years gone by it has put pressure on our development teams and we've had to work very hard to keep up.

We see this as a trend that will not be going away anytime soon as the market is as hungry as ever for constant newness, and as brands fight to keep the attention of their target audience on social media to continue to drive sales we are anticipating this trend to remain for some time. We have put enormous efforts into sourcing as a result as we search for new and interesting base cloths and novelty fabric and trims.

Our updated showroom is taking shape and the first clients to visit this year were thrilled with the results and diversity it provided for them, many clients choosing to bring their design teams with them for the first time in an effort to bring design and production closer together and again reduce leadtime on development.



[UA]

CREATING AN IMPACT THAT MATTERS