EightAdvisory

Fashion Industry

Reinvent Retail to stay ahead

Eight Advisory is a member of

EIGHT INTERNATIONAL

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Summary

Key takeaways

There is no fatality in the apparel retail sector. Despite all the bankruptcies making headlines, there is room to recover and restart value creation for players who embrace the new codes of successful apparel brands at full speed.

The fashion retail market is characterised by constantly evolving business models, particularly with the arrival of many new market entrants (DNBVs, pre-orders, circular fashion...).

In the face of structural, macroeconomic and behavioural shocks, traditional brick-and-mortar retailers must learn from these new, agile, customer-centric models which demonstrate more resilience against market headwinds.

Reinventing the role of physical retail offers brick-and-mortar retailers a crucial opportunity to leverage their store network and differentiate themselves from pure players. This involves transforming stores into powerful branding tools and omnichannel hubs, while rationalising retail footprint and formats.

In a fragmented and highly competitive environment, a coherent brand narrative and strong product identity are fundamental to building desirability. Legacy brands must reassert products and editorial edition by clarifying their positioning, while expanding and modernising their image.

Sustainability & community have become a key differentiation lever for brands. By becoming community-centric, embedding circularity in their model, and reconfiguring their supplier relationships, legacy brands can regain desirability. They can also reclaim market share lost to fast-fashion players, now challenged by regulatory shifts.

Retailers should leverage artificial intelligence to strengthen their resilience during times of crisis by delivering an enhanced customer experience through marketing content generation, personalised customer journeys and tailored after-sales services. AI can also enable retailers to accelerate product development and improve efficiency across supply chain operations.

Introduction

Since the onset of the pandemic, the clothing sector has been characterised by rising raw material prices, eroding purchasing power, and economic volatility in an ultra-competitive environment.
This environment is particularly notable for its low barriers to entry for newcomers, a trend accentuated by the increasing adoption of new technologies and the globalisation of the economy. More than ever before, the sector is undergoing a major overhaul with constantly reinvented business models. In an increasingly complex environment, it is not only anti-ultra-fast fashion legislation that will enable the apparel retail sector to return to profitability, but rather a permanent and pragmatic transformation of traditional business models that will enable brands to build closer relationships with their customers (e.g.: second life, pre-ordering, DNVB[1]). Agility is therefore key, enabling brands to evolve their models while continuing to grow.
We are witnessing a sharp rise of insolvencies and crisis among the apparel retail sector, but is it only a fatality with a dead end at the end of road? Certainly not.
Achieving this reinvention calls for a bold reengineering of the model, new governance discipline, and seamless omnichannel execution. The levers exist – and success stories are multiplying for those who embrace this shift with clarity, ambition, and operational rigor.

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[1] DNVB: Digital Native Vertical Brands

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A fragmented market undergoing profound transformation (1/3)

The apparel sector encompasses the entire value chain of apparel, footwear, and accessories—from design to manufacturing and distribution. It is a complex and fragmented ecosystem composed of global conglomerates, specialty retailers, digital-native vertical brands (DNVBs), multi-brand distributors, and pure-play e-commerce players. These actors operate with widely divergent business models, cost structures, and brand positioning.

Historically driven by steady consumer demand, the sector is now facing a combination of structural and cyclical shocks that are redefining its economic fundamentals. Traditional brick-and-mortar[2] players, once dominant, now appear to be the most exposed to the ongoing disruption.

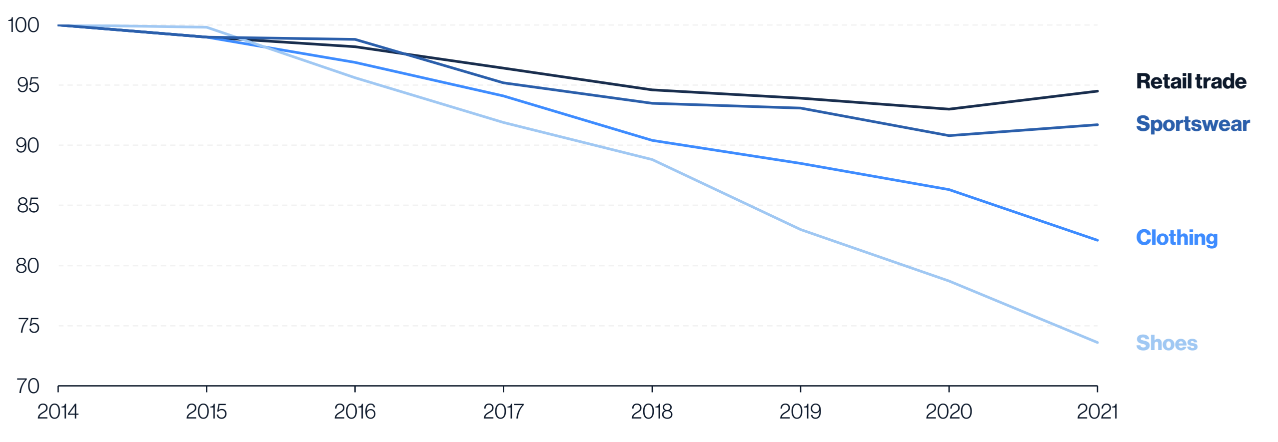
Clear indicators of deterioration in market fundamentals

The industry's challenges are increasingly visible across several leading indicators. Restructuring procedures are rising, retail footprints are shrinking, and waves of store closures and workforce reductions are accelerating.

Between 2020 and 2022, 11% of fashion retail stores in France shuttered, a trend that continued beyond that period. From 2019 to 2021 alone, the number of apparel and footwear stores declined by -7.2% and -11.3% respectively. This contraction has come with significant social impact: more than 170,000 jobs were lost in the UK in the Retail Sector[3], and store closures in the U.S. have led to a huge 274% spike in retail layoffs so far during the first half of year 2025[4].

Evolution of number of stores in France (2014-2021)

Index base 100 in 2014



Source: Insee

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[2] Brick-and-mortar refers to businesses operating physical stores
[3] The Guardian, December 29th, 2024
[4] The Independent, June 25h 2025

A fragmented market undergoing profound transformation (2/3)

A confluence of structural, macroeconomic, and behavioral shocks

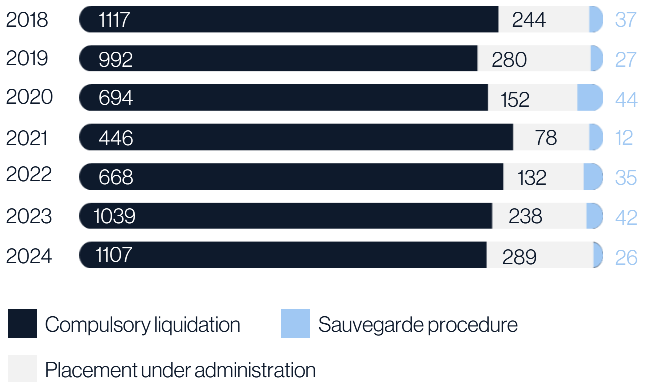
○ Macroeconomic headwinds putting pressure on margins

Fashion retailers have been heavily impacted by rising raw materials costs. Energy prices reached a historic peak of €1,130/MWh in France in August 2022. Textile raw material indices, largely stable pre-2020, have soared by over 70% in the past five years, with a peak increase of 80% between 2020 and mid-2022. This inflationary context is squeezing margins while dampening consumer demand: by the end of 2024, fashion spending in France remains 7% below 2019 levels, even after adjusting for inflation.

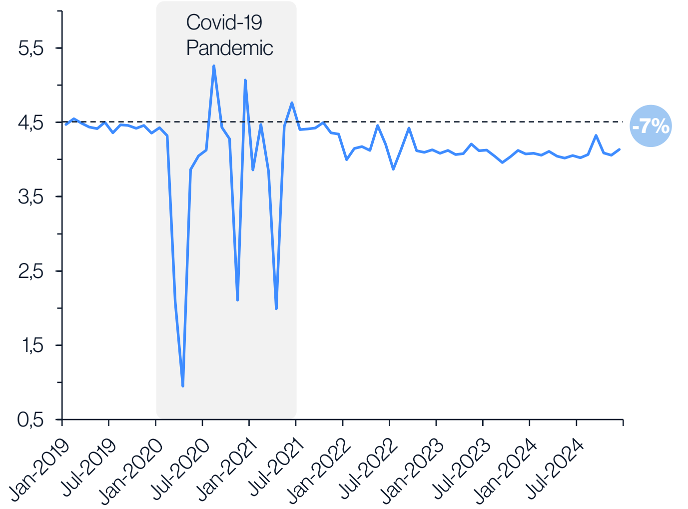
○ Post-Covid financial aftershocks and rising insolvencies

While state-guaranteed loans (PGE) helped mitigate the immediate impact of the pandemic in 2020–2021, they also increased the sector's financing leverage. Coupled with rising interest rates and a sluggish recovery, this has led to a sharp rise in corporate distress. In 2024, 1,422 insolvency procedures were recorded in the sector in France, affecting long-standing players such as Camaïeu, Pimkie, Orchestra-Prémaman, Kidiliz, GO Sport...

Distribution of corporate insolvencies in fashion retail in France *(in number of reported procedures)*



Evolution of monthly consumption of apparel and leather products of French households
(in €bn, 2019-2024, adjusted of inflation and retail seasonality)



Source: Insee

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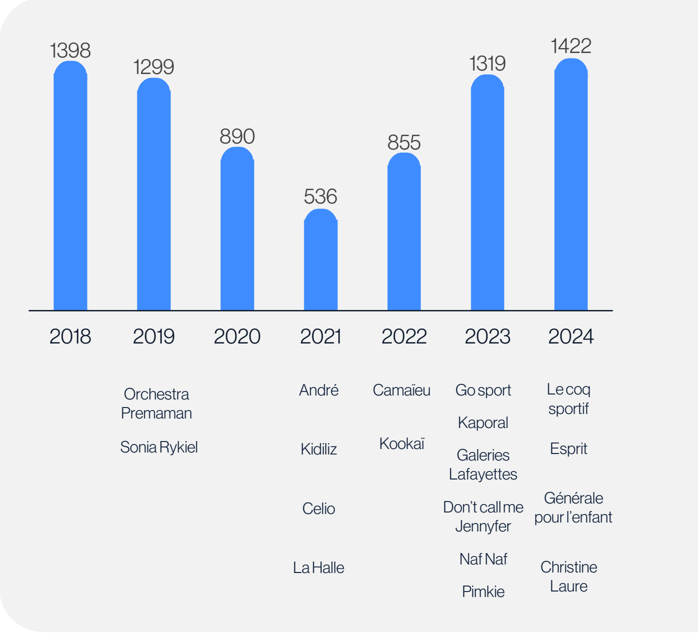
Evolution of corporate insolvencies in fashion retail in France *(in number of reported procedures)* **and major insolvencies**



Source: ALTARES, press releases

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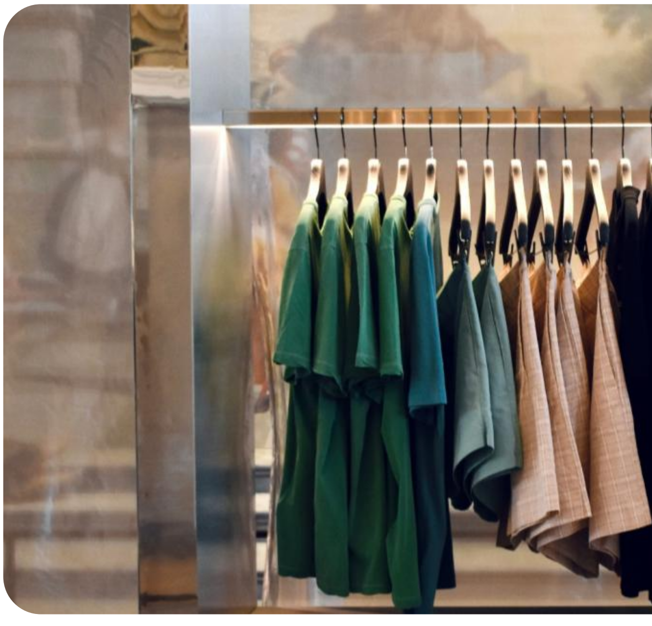
A fragmented market undergoing profound transformation (3/3)

- **Deep shifts in consumer behaviour eroding traditional models**

Legacy models based on seasonal collections, physical networks, and mid-range pricing are rapidly losing ground. They are being replaced by two opposing paradigms that are gaining momentum: ultra-fast fashion—offering weekly product refreshes, low prices, social media virality—and second-hand marketplaces, driven by values of circularity, utility, and sustainability.

The second-hand segment is experiencing double-digit growth: €4.1 billion in France in 2024, with projections of €6.3 billion by 2030 and €26 billion in Europe. Children's clothing is among the categories most affected. In response, nearly 60% of fashion brands have already integrated second-hand offerings into their distribution model (source: Institut Français de la Mode).



> *By the end of 2024, fashion spending in France remained* ***7% below*** *2019 levels, even after adjusting for inflation.*
>
> Luc de Saint Sauveur, Partner
> Eight Advisory

The emergence of disruptive business models in a challenging market environment (1/3)

While the fashion retail market continues to face a complex combination of headwinds – including rising costs, declining foot traffic, increased product standardisation, and growing criticism of the fast fashion model – some brands are not only navigating current market challenges but are also successfully charting a path toward profitable growth. These players are moving beyond traditional volume-driven strategies, adopting disruptive models grounded in resource efficiency, direct consumer engagement, exclusivity, and extended product value. They all share a leaner economic model, a more precise demand forecasting and the ability to consistently capture customer preferences.

Cartography of retail models emergence over the last 20 years

Brick & Mortar
Aigle | Balibaris | C&A
Celio | Etam | Gémo
H&M | Jules | Kiabi
La Halle | Promod
Soeur | Zara

Wholesale
Calvin Klein | GAP
Guess | Hugo Boss
Lacoste | Levi's

2010

DNVB
Balzac Paris
BonneGueule | Hast
LePantalon | Rouje
Sézane | Ysé

Muti-brands platforms
Lulli | The Bradery
vente-privee | Vestiaire
Collective

2020

Pre order
Asphalte | Folkr
Later... | MaisonCléo

Circular Economy*
Faguo | Loom
Patagonia
Reformation | Vela

Community
Atelier Particulier
Pangaya | Patine

Capsules
Fear of God
Jacquemus | Off-White
Supreme

Sold out strategy
Barbour | Ganni

Sources: Lit search | Note: (*) Appeared around the end of 2000 but boomed post-COVID.

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The DNVB Model: End-to-End value chain control to restore margins

Among the most emblematic models in fashion retail, Digital Native Vertical Brands (DNVBs) have gained strong traction since the early 2010s, following the example of early players like Bonobo. Born online, DNVBs are characterised by fully digital distribution in their initial phase and vertical integration, allowing them to control the entire value chain — from design to sale — while eliminating intermediaries. This structure enables fairer pricing, closer consumer relationships, and a value proposition often rooted in responsibility, transparency, and co-creation. A prime example is Sézane, one of France's leading DNVBs, which still generates approximately 90% of its €80M revenue online. In 2023, its average spend per customer reached approximately €500 — up 19% year-over-year. While some of these brands are expanding into physical retail on very specific locations (611 stores opened by 140 DNVBs in 12 years), they are evolving into Omnichannel Native Vertical Brands (ONVBs), maintaining their digital-first identity and customer-centricity at the same time.

The key success factor for this model lies in the synergy between branding, product, and data. A high-performing DNVB is not just digital; it is a fully-fledged customer experience platform, capable of scaling personalisation while sustaining desirability. This model enables gross margins exceeding 70%, a lower customer acquisition cost than traditional players, and structurally stronger customer retention.

The emergence of disruptive business models in a challenging market environment (2/3)

- **The Pre-Order DTC Model: frugality as a performance driver**

Another emerging model in fashion retail is the pre-order Direct-to-Consumer (DTC) approach – inspired by luxury "maisons" allowing VVICs (Very Very Important Customers) to purchase runway pieces before general release. This model, popularised in France by Asphalte since 2016, enables brands to design collections based on actual purchase intent. It prevents overproduction and significantly reduces return rates (8% for Asphalte vs. an industry average of 15–20%). In 2023, Le Slip Français adopted this model to democratise its offer: 50,000 made-in-France underwear items were sold at €20 – half the usual price – thanks to scale effects enabled by pre-orders. A striking success, especially when compared to the brand's average volume per new design (typically 2,500–3,000 units). While this model optimises production costs and de-risks investment (as customers pay upfront), it is less compatible with mass-scale deployment due to longer lead times. Nonetheless, it remains a powerful tool for launching new products, generating urgency, and creating viral traction – particularly via time-limited or dynamically priced drops (e.g. Later brand offers pre-order with 40€ rebate for each product bought).

- **The Drop Model: scarcity and demand tension as a growth engine**

First pioneered in the 1990s by streetwear brand Supreme, the drop model is based on time-bound product releases in highly limited quantities — often announced at the last minute. This strategy fosters exclusivity and urgency, driving customer engagement and impulse purchases. Supreme has mastered the approach, sometimes selling hundreds of items priced over $1,600 in less than 20 seconds. Luxury brands like Burberry have adopted a similar strategy through its monthly "Series B" drops on Instagram and WeChat – available for just 24 hours every 17th of the month. More recently, Amazon has repurposed the drop logic for a broader audience through its "The Drop" initiative. Each capsule collection, co-created with influencers such as Paola Alberdi, is available for just 30 hours, with alerts sent via SMS to subscribers. While Amazon sidesteps scarcity by producing on demand, the time pressure remains the key psychological trigger. This model – a blend of exclusivity marketing and community activation – continues to resonate with digitally native, reactive audiences.

> *Some brands are not only navigating current market challenges but are also successfully charting a path toward profitable growth.*
>
> Florent Berckmans, Partner Eight Advisory

The emergence of disruptive business models in a challenging market environment (3/3)

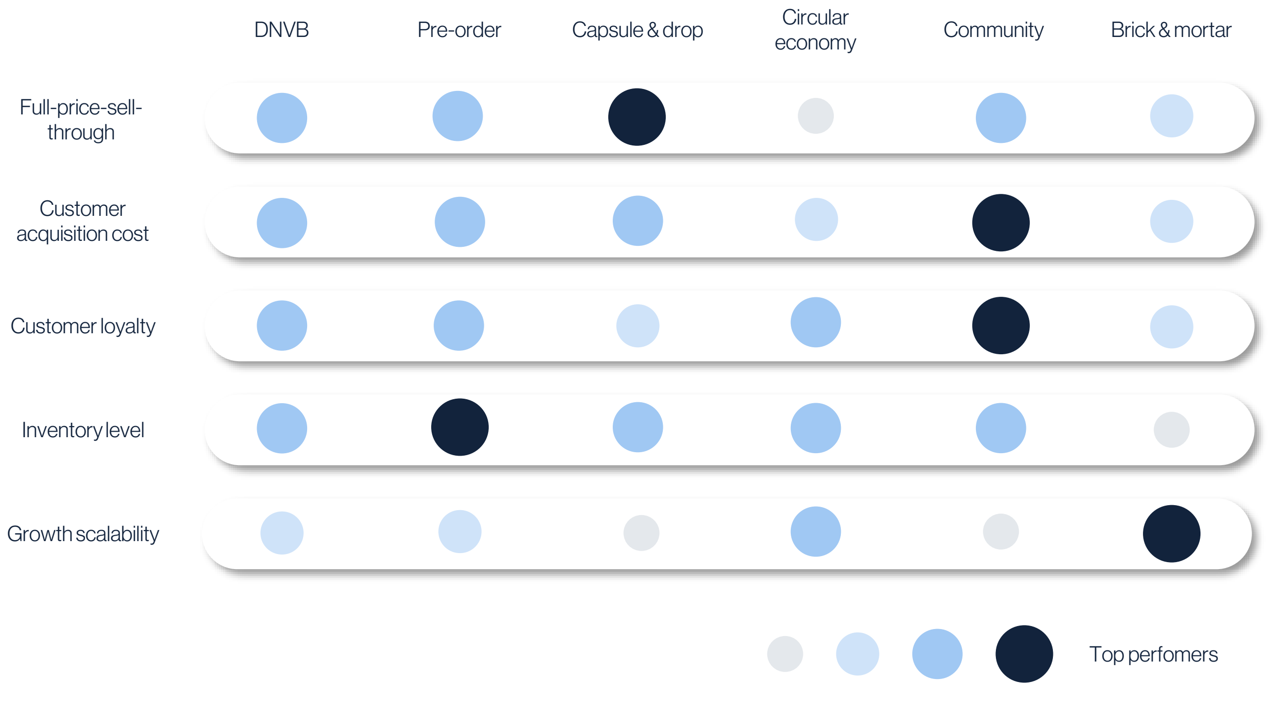
The Integrated Circular Model: extending product value with controlled costs

The integrated circular model is increasingly positioned as both a commercial and sustainability-focused strategy in fashion retail. In 2023, Zara Pre-Owned launched in France (following a UK pilot in 2022), offering an end-to-end platform for resale, repair (in-store or at home), and donation – with logistics and transaction security managed by the brand. A standout feature is the AI tool that auto-generates product titles, descriptions, and official imagery from user-uploaded content, ensuring visual coherence and product listing quality. Deployed across 16 European markets, the initiative aligns with Inditex's broader sustainability roadmap which targets a 50% reduction in emissions by 2030 and full circularity by 2040.

The Hyper-Targeted Community Model: monetising brand attachment

Another high-performing model is based on community-driven co-creation. By involving customers in product ideation and selection, brands increase engagement, reduce production risk, and enhance relevance. This approach defines the success of Betabrand, which operates entirely through community input: customers propose ideas, vote, and co-develop items, which are only manufactured if they meet a minimum level of support. The result: a significantly higher product success rate, minimal waste, and customer loyalty transformed into a scalable performance engine.

Business model performance comparison on retail key performance indicators
New VS traditional Brick & mortar models



How Brick-and-Mortar fashion brands can regain competitiveness by learning from emerging models (1/5)

In a landscape increasingly shaped by agile, customer-centric models – whether DNVBs, on-demand DTC, capsule drops, circular fashion or community-led businesses – legacy fashion brands with extensive physical retail networks may appear structurally disadvantaged.
And yet, they still hold powerful assets: strong brand awareness, territorial coverage, rich customer data, and omnichannel execution capabilities. Provided they undertake a profound business transformation, these players can remain relevant and even regain market leadership.

Maturity assessment: reinvention as a roadmap

Refocusing the strategy on value over volume

The first imperative is to move away from a growth model built on constant proliferation of products, capsule launches, and retail network expansion – often at the expense of profitability. Taking cues from DNVBs or drop-driven brands, traditional players must rationalise their assortments: fewer products, focusing on tighter curation and leaner inventory management. This shift requires tighter governance across planning, merchandising, and demand analytics.

The objective is clear: push full-price sell-through rates above 85% and structurally reduce markdown levels, which still exceed 30% for many brands.

Key levers	Full-price-sell-through	Customer acquisition cost	Customer loyalty	Inventory level	Growth scalability
#1 **Shorten time-to-market**: Simplify collection processes, adopt modular design frameworks, and reduce approval cycles. Agility in execution is key to trend responsiveness and capital efficiency.	●	↗	●	↗	↗
#2 **Refine pricing and promotions strategy**: Move towards data-informed markdowns and elasticity-based price modeling. Promotional effectiveness must be tracked in real time to avoid eroding brand equity.	↗	●	●	●	●
#3 **Generate desire through scarcity**: Generate urgency and elevate brand value through limited releases, exclusive collections, and deliberate scarcity: key levers in a value-driven market.	↗	↗	●	↗	●

How Brick-and-Mortar fashion brands can regain competitiveness by learning from emerging models (2/5)

Reinventing the role of physical retail

Unlike pure players, brick-and-mortar brands can leverage their store network as a powerful platform for experience, acquisition, conversion, and customer relationship. However, this requires the role of the physical store to be redefined. They are reimagined as omnichannel hubs, offering services such as click & collect, online return handling, personalised consultations, and community-driven events.

Lululemon exemplifies this evolution by transforming stores into community hubs. The brand hosts in-store yoga classes led by certified instructors and reinforces its lifestyle positioning through local event listings under its online "Inspiration" section—creating a seamless bridge between physical engagement and digital content; and thereby driving repeat visits.

Key levers	Full-price-sell-through	Customer acquisition cost	Customer loyalty	Inventory level	Growth scalability
#1 **Optimise distribution as a branding tool**: Transform physical stores into immersive brand experiences, and leverage wholesale as a strategic tool for international expansion, brand visibility, and access to curated multi-brand environments.		↗	↗		
#2 **Rationalise retail footprint and formats**: Continuously assess store performance, renegotiate leases, and adapt store formats to evolving traffic patterns and customer expectations.	↗			↗	
#3 **Elevate digital performance through an omnichannel lens**: Position e-commerce as a standalone business line with dedicated P&L ownership. Leverage granular attribution to optimise media spend, enhance Return on Ad Spend (ROAS), and orchestrate digital and in-store levers in a unified, ROI-driven strategy.		↗			↗

> *Physical stores must evolve into **omnichannel hubs**, blending experience, acquisition, and community to strengthen customer relationships and drive growth.*
>
> Luc de Saint Sauveur, Partner Eight Advisory

How Brick-and-Mortar fashion brands can regain competitiveness by learning from emerging models (3/5)

Reasserting product and editorial direction

DNVBs have shown how critical a coherent brand narrative and strong product identity are to building desirability. Legacy brands must reestablish a clear creative direction—anchoring collections around customer lifestyles, values, or usage moments while targeting well-defined audiences.

French brands like A.P.C. and Agnès B. illustrate how a strong artistic vision can co-exist with a sizeable physical footprint, as long as the brand maintains a consistent cultural narrative and a selective distribution strategy.

Key levers		Full-price-sell-through	Customer acquisition cost	Customer loyalty	Inventory level	Growth scalability
#1	**Shorten time-to-market**: Simplify collection processes, adopt modular design frameworks, and reduce approval cycles. Agility in execution is key to trend responsiveness and capital efficiency.	○	↗	○	↗	↗
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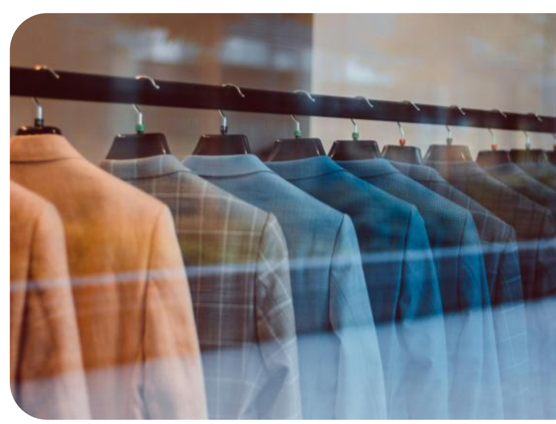
#3	**Generate desire through scarcity**: Generate urgency and elevate brand value through limited releases, exclusive collections, and deliberate scarcity - key levers in a value-driven market.	↗	↗	○	↗	○



How Brick-and-Mortar fashion brands can regain competitiveness by learning from emerging models (4/5)

Activating customer data to deliver augmented experiences

One of the most underexploited advantages of brick-and-mortar brands lies in the depth of their customer databases. Where DNVBs often struggle to scale without inflating their Customer Acquisition Costs, established players can industrialise personalisation at scale: from localised assortments and VIP drops to co-creation initiatives and tailored product recommendations.

The SMCP group (Sandro, Maje, Claudie Pierlot) offers a compelling example. Sales associates are equipped with tablets providing access to purchase history, style preferences, and size data. This enables hyper-personalised in-store selections, predictive clienteling, and targeted invitations to private sales and exclusive launches.

	Key levers	Full-price-sell-through	Customer acquisition cost	Customer loyalty	Inventory level	Growth scalability
#1	**Activate data-driven decision-making**: Use first-party data to segment audiences, tailor marketing, and influence assortment decisions. Data is the backbone of relevance, reactivity, and personalisation.		↗	↗		
#2	**Personalise the customer journey:** Reinforce the perception of a privileged relationship with the brand by activating every touchpoint through hyper-personalised offers, tailored communications, and loyalty rewards aligned with individual customer profiles.	↗		↗		
#3	**Align merchandising with client insights:** Use client and store-level data to localise assortments and allocate inventory more precisely, reducing markdown dependency and increasing full-price sell-through.	↗			↗	

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Activating customer data turns stores into a powerful personalisation lever, enabling tailored experiences and predictive clienteling for competitive advantage.

Elise Rohart, Director Eight Advisory

How Brick-and-Mortar fashion brands can regain competitiveness by learning from emerging models (5/5)

Turning sustainability & community into a differentiation lever

The surge in second-hand fashion and rising consumer expectations around sustainability have made brand purpose a central driver of preference. While DNVBs often lead with bold sustainability narratives, legacy brands can capitalise on tangible assets: regional roots, industrial craftsmanship, and the capacity to scale long-lasting supply chains.

Le Slip Français, Armor-Lux, and 1083 exemplify this shift, leveraging local production, transparency, and minimalism to redefine value and win back relevance.

The upcoming French anti–fast fashion regulation could further accelerate the reshaping of the market. By introducing strict rules on advertising, taxation, and market access for ultra low-cost players, the law restores structural advantage to brands embedding sustainability into their models. For traditional players, this represents a strategic opportunity to reassert their commitments, rebuild preference, and reclaim lost market share.

Key levers	Full-price-sell-through	Customer acquisition cost	Customer loyalty	Inventory level	Growth scalability
#1 **Build and nurture communities**: Go beyond audience-building by fostering dialogue and advocacy. Community-centric brands enjoy stronger retention, organic reach, and cultural impact.	●	↗	↗	●	●
#2 **Embed circularity into the core retail model**: Use stores as platforms for resale, repair, or take-back programs. Integrated second-hand offers drive traffic, reinforce brand equity and open new margin-accretive revenue streams.	●	↗	●	●	↗
#3 **Reconfigure supplier relationships**: Adopt “test-and-repeat” or progressive commitment models to gain agility and limit demand-driven risks. Strategic sourcing partnerships become value drivers, while partial inshoring is explored to reduce environmental impact and enhance supply chain resilience.	●	●	●	↗	●

Conclusion

Success in today's fashion retail no longer hinges on scale, store count, or product breadth. It depends on a brand's ability to deliver a clear, desirable, and economically viable value proposition, underpinned by a streamlined operating model and a unique and differentiated experience – physically but also online.

For brick-and-mortar brands, the challenge is not to mimic DNVBs, but to draw inspiration from their discipline—whether in assortment strategy, customer intimacy, or product tempo—and reactivate the unique levers at their disposal: physical presence, brand heritage, rich data, and the ability to engage at scale.

Achieving this transformation calls for a bold reengineering of the model, new governance discipline, and seamless omnichannel execution. But the levers exist – and success stories are multiplying for those who embrace this shift with clarity, ambition, and operational rigor.

How we can support you

Business model & Innovation

We support companies navigating changes to their business model, helping them adapt to new customer behaviors and embrace Tech and AI opportunities.

Value Creation

We work alongside managers and shareholders to develop comprehensive value creation plans for retail companies, covering everything from product design to sourcing and sales performance.

Performance & Turnaround

We provide support to underperforming companies in swiftly implementing a comprehensive strategic and operational turnaround plan, covering the entire value chain from design to on-the-ground execution.

Strategic Independent Review

We are working to assess the resilience of the company's plans and its associated business plans, while ensuring there is room for further development.

Eight Advisory is an integrated transaction, transformation and restructuring advisory firm operating globally with over 1000 professionals, including +100 partners. We support clients in corporates, private equity funds and infrastructure investors, and navigate the complexities of a changing world: identifying, creating and realising value.

Contact our experts and see how we can help you!

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