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Streetwear: the new exclusivity

**Five ways how
fashion brands
can win in this
growing market**

HYPEBEAST

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Please visit <https://strategyand.hypebeast.com/streetwear-report> for full streetwear impact report.

EXECUTIVE SUMMARY

Streetwear is one of the most striking retail and fashion trends to have emerged in recent years, involving the production, promotion, sale and resale of casual fashion – mainly footwear, T-shirts and other items – in ways that bypass traditional retail channels.

Customers are often rallied via social media to be the first to buy products that are only available directly from the brand, either in-store or online. The anticipation of a time-limited chance to buy, helps create a tight-knit and almost cult-like relationship between streetwear brands and their consumers.

This has helped propel streetwear from being an eye-catching fashion phenomenon that drew its inspiration from the counter-cultures of the 1980s and 1990s – including graffiti, hip-hop, skate and surf – into a multi-billion dollar retail market. We estimate the size of the global streetwear market at \$185 billion by sales¹, making it by some estimates about 10 percent² of the entire global apparel and footwear market.

Streetwear's impact – both on retail culture and the numbers involved – has caught the attention of some of the most iconic, established brands in the retail and luxury goods sectors and fashion industry generally. Streetwear players come from various parts of the fashion industry. There are pure streetwear brands such as Supreme and Stüssy, while sportswear names such as Nike are developing their traditional portfolio of sports equipment into a growing streetwear portfolio of cool, hip sneakers and hoodies. In addition, luxury brands are working to gain a significant stake in the streetwear market (see *Exhibit 1, next page*).

1. Estimate based on US Streetwear Market Report data (2015) which has been extrapolated with Euromonitor (2019) fashion market growth rates.

2. Based on data from Euromonitor (2019).



I wasn't intending to bring street fashion to Japan, I was simply just introducing the things I liked. That includes items from Tiffany, documentary films from Japan, and various other things. It just so happened one of those things was skateboarding – that's all it was."

HIROSHI FUJIWARA, FRAGMENT DESIGN FOUNDER

EXHIBIT 1

Top streetwear brands

Which brand represents streetwear to you the most? (consumer)



Source: Streetwear Impact Report – percentage of records from consumer survey

That's in large part because it is opening up a whole new target market of younger consumers. Streetwear's audience is very young: mostly under 25.

A second reason for the interest from established brands is that streetwear has subverted the way fashion trends have taken off. The fashion industry has typically operated a top-down model, with insiders acting as gatekeepers to the newest styles and trends. Streetwear has turned this on its head. Customers have the power to determine what's cool as much as industry insiders. Exclusivity and desirability are conferred by scarcity and insider knowledge rather than high prices. In short, streetwear has redefined how "cool" is made profitable.

Third, streetwear's democratic values are increasingly shared by all consumers, for whom the opinion of peers is an ever-more influential part of decision-making: 32 percent of respondents to PwC's recent Global Consumer Insights Survey (GCIS) said positive reviews on social-media influence what products they buy.

Small wonder, therefore, that fashion brands have been buying into the streetwear trend in recent years. Among the highest profile examples are Louis Vuitton's collaboration with leading streetwear brand Supreme, and the luxury giant's decision to hire Virgil Abloh, founder of streetwear brand Off-White, as artistic director of Louis Vuitton menswear last year.

Strategy& and Hypebeast, a leading online media platform for contemporary fashion and streetwear, recently conducted two surveys to show how fashion brands can best succeed in streetwear: one covering more than 40,000 consumers worldwide and another involving around 700 people working in the industry. The results showed that:



< 25 years old

Streetwear consumers are young: more than 60 percent of consumers surveyed were under 25.



\$100–\$300

But they have money to spend on their favorite brands: 56 percent reported spending an average of \$100–\$300 on a single item. Asian consumers spend more, with 32 percent of Japanese respondents spending an average of \$500 or more per product.



84%

Social media is their top source (84 percent) of influence, followed by the other young, urban people they see around them.

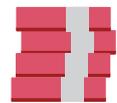


70%

Streetwear's young fans think of themselves as being socially conscious, a trend that is spreading to all consumers: 70 percent said social awareness and brand activism were important to them, while 29 percent of PwC's GCIS participants said they buy brands that promote sustainable practices.

≤ \$40,000

They aren't all that wealthy, either: about 70 percent of respondents reported an annual income of \$40,000 or less.



53%



42%

They connect directly with brands both offline and online: 53 percent are most likely to buy streetwear products in the brand's own store; 42 percent from its website.



65%

Successful brands have strong links to the cultures out of which streetwear grew: musicians have the most credibility among consumers in our survey (65 percent), some way ahead of social-media influencers (32 percent).

Growth expectations for streetwear are robust, even as there are some clouds gathering over the retail industry amid fears of a global economic slowdown: as many as 76 percent of industry respondents in our survey expected the market to continue to grow significantly over the next five years.

With this landscape in mind, we have explored how brands can play – and win – in the streetwear market. Five factors should be borne in mind for success: authenticity; scarcity; democracy; affordability; and seamlessly linked online and offline activity.

FIVE WAYS TO WIN IN STREETWEAR

1. Authenticity

The challenge for most fashion labels is to stay relevant by redefining themselves every few years. Streetwear succeeds by staying true to its origins: 62 percent of consumers in our survey said streetwear products are always in style, surviving fashion's traditional cycles due to their versatility.

Yet to achieve this timeless appeal, brands must live up to the very high standards set by streetwear's young and discerning customers – and demonstrate authenticity.

A majority (70 percent) of survey respondents said campaigning on social issues and brand activism were important to them. Almost half (47 percent) of respondents reported they were likely to stop buying items from a brand if it was seen as behaving inappropriately.

How can brands, particularly those with no historic links to any of the cultural influences of streetwear, offer authenticity?

- Define your brand by emphasizing your heritage, telling your story, building on what you really stand for and investing in differentiating capabilities. Establishing an authentic brand purpose is a crucial way to reach audiences in a crowded digital field: “If you can use technology to gain entry, and then tell a story that is engaging to consumers, then there is a good chance of success,” former Saks Fifth Avenue chief executive Stephen Sadove said in an interview for PwC’s GCIS.
- Listen to your consumers, react quickly and continually assess how new products and promotions fit with consumers’ expectations of your brand’s image and roots.
- Build relationships with true innovators and creators in the worlds of music, art, fashion and sustainability to innovate together. Streetwear is still very strongly linked to its cultural roots in hip-hop and graffiti. Musicians, industry insiders and contemporary artists were all viewed as more credible sources than social media influencers, celebrities or athletes, according to our survey. Therefore, brands should build meaningful links with true innovators and creators in these fields, rather than seek superficial promotion via professional influencers (see *Exhibit 2, next page*).
- Provide proof of commitment to issues such as sustainability and the circular economy to show that your actions live up to your words. Adidas, for example, brought out the first fully recyclable running shoe earlier in 2019, saying the sneakers were “a statement of our intent to take responsibility for the entire life of our product.”³

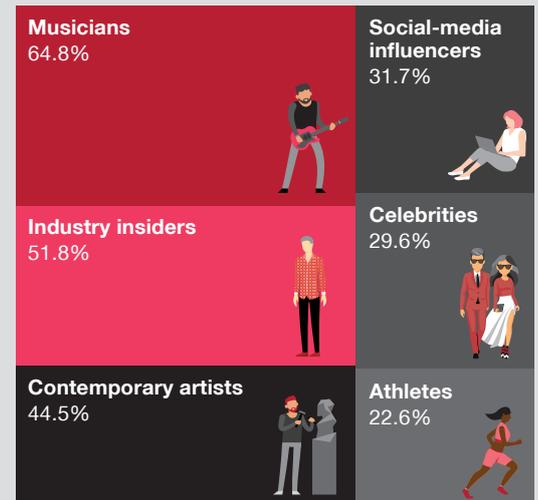
3. Wallpaper (2019) – adidas launches first fully recyclable sneakers; <https://www.wallpaper.com/fashion/adidas-first-fully-recyclable-sneaker>

EXHIBIT 2
Measuring influence

Which factors are the most important for brands? (consumer)



Which figures do you consider most credible in streetwear? (consumer)



Source: Streetwear Impact Report – percentage of records from consumer survey

“

The art world has a tendency to feel a little bit hard to enter from the outside if you’ve never been or you just didn’t grow up in that kind of culture. And part of it is because artwork takes a lot of effort and a lot of time to create and there’s a respect that needs to be given to that. My involvement with the projects that I’ve done with adidas and the sneakers I have created, allowed me to bridge those audiences.”

DANIEL ARSHAM, CONTEMPORARY ARTIST

2. Scarcity

While exclusivity in the luxury sector is mostly driven by premium prices, exclusivity in streetwear is mostly driven by scarce supply. To succeed in this market, brands must understand and master the dynamic of limited availability, starting with the drops model.

Traditionally, high fashion products or collections are first shown to the public in runway shows; new mainstream fashion collections are often not announced at all beyond the retailer's regular advertising. However, streetwear introduced a new way of bringing products to the market, known as drops. Customers queue outside the brand's store on the appointed day and are allowed in, in batches. Individuals may only have 15 minutes in the shop and can buy a maximum of six items.⁴

Brands also build demand ahead of a drop by giving products to high-profile figures to wear. For Virgil Abloh's "The Ten" sneaker collection by Off-White and Nike, personalized versions were given to celebrities including basketball star Michael Jordan, musician Drake and the model Naomi Campbell ahead of the official release.

4. The Economist 1843 magazine (2017) – The hype economy; <https://www.1843magazine.com/style/the-hype-economy>



As soon as supply is greater than demand, that product's not scarce anymore. So it's not cool to a certain group who wants that totally unique self-expression. They don't want to possibly wear something that any person off the street can just walk in and buy. That cool 17-year-old kid doesn't want to wear the same shoes that my mother wears."

JOSH LUBER, CEO AND CO-FOUNDER STOCKX

In an earlier innovation by Nike, in 2015 the company introduced a lottery called SNKRS that picked at random from those who signed up for a new drop and allocated them a slot that allowed them to purchase the shoe. By making the new product scarce, increasing its desirability and only available from Nike directly, the company was able to have the kind of direct communication with its customers that all fashion brands crave, both for brand awareness and sales reasons.

Done correctly, drops enable brands to build momentum and to actively steer demand to exceed supply. Creating scarcity in this way increases the hype and demand for certain products even further. Companies that are new to the drops model can invest in predictive analytics to simulate demand and supply, in order to drive scarcity without risking producing too little of a sought-after product.

Scarcity also drives another unique feature of streetwear – a booming resale market. Supreme box-logo crewnecks, originally sold for \$158, resell for a minimum of \$500 in summer 2019, for example. Resale value is a key metric of a brand's success: the more limited the availability, the higher the demand and the resale price tag.

So how can players actively manage scarcity?

- Perfect the direct-to-consumer model that the wider fashion industry has been desperate to crack for both communication and sales. Adopt drops because they have proven to be an effective tool to drive demand.
- Understand the dynamics of resale and how this might affect your pricing model and supply level.
- Invest in both consumer-facing and back-office technology and data analytics to predict demand and actively steer supply.

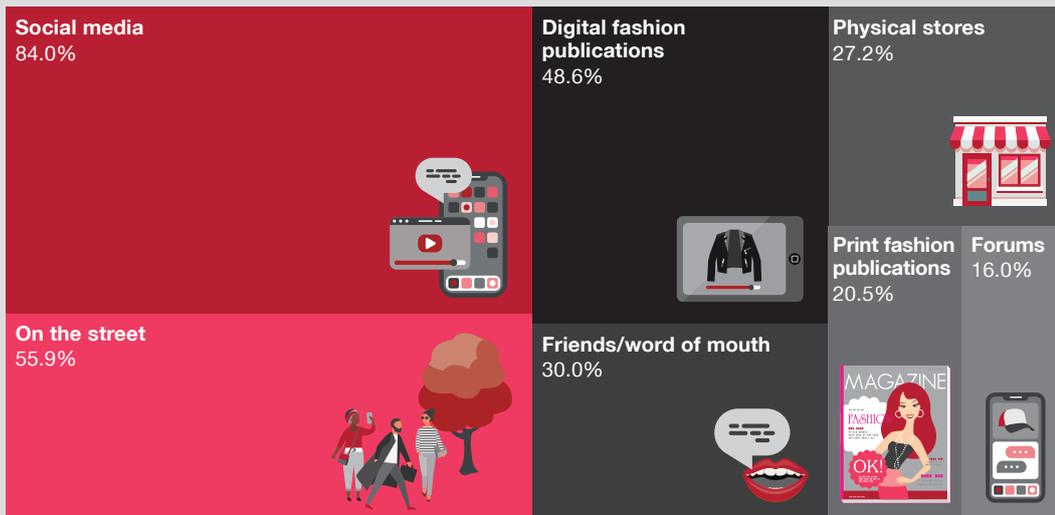
3. Democracy

The democratization of influence is a key feature of streetwear, with brands and industry insiders taking direction directly from consumers – mostly those under 25. Streetwear’s regular supply of new products, relative affordability, and an aesthetic based on the real world rather than the runway also make it a perfect match for social media.

In the early 2000s, before sites such as Facebook existed, streetwear fans started online forums to discuss styles and brands that were not covered by mainstream fashion magazines. Now, Instagram is the dominant channel, with 96 percent of consumers in our survey using it to gather information on streetwear (see *Exhibit 3*).

EXHIBIT 3 Top sources of inspiration

Where do you get inspiration for new streetwear styles and products? (consumer)



Source: Streetwear Impact Report – percentage of records from consumer survey

Across the fashion industry, consumers are canvassing the opinions of peers via their own social-media accounts, no longer having to rely on what brands or magazines tell them to wear. Positive reviews on social-media influence the purchases of 32 percent of respondents to PwC's GCIS, and when it comes to fashion, the impact is greater: 54 percent of respondents said social-media influences their purchase decisions.

However, for fashion brands new to streetwear, gaining acceptance from its consumer-led "in crowd" is the highest barrier to entry. Brands with no streetwear heritage struggle to connect, no matter how stylish their product, because consumers possess a deep appreciation for the history of the market and brands.

In streetwear, the crowd's support determines who will succeed. So what can brands do to win them over?

- Move away from the traditional, top-down approach of telling your consumers what they should be wearing and instead involve them in co-creation. For example, as part of a New York event called "Off Campus" to launch Abloh and Nike's "The Ten" collection, attendees could cut up and customize pairs of sneakers at a pop-up store.⁵
- Use new and established ways to interact with consumers – both online and offline – to ensure a constant dialogue.
- Either leverage your brand's history to prove your right to play and win in the streetwear space (Balenciaga, for example, has successfully grown a streetwear business from its luxury roots) – or partner with an authentic streetwear player to gain acceptance, gradually move into the market, offer existing customers a new type of "cool" and establish your own credibility. The first collaboration between Supreme and Louis Vuitton in the summer of 2017 marked a turning point for luxury fashion's awareness of streetwear.

5. Highsnobiety (2017) – Here's What Went Down at Virgil Abloh's Nike "OFF-CAMPUS" Installation; <https://www.highsnobiety.com/2017/09/06/virgil-abloh-nike-off-campus-new-york/>

“

I think it's very sad to see that when people line up in front of stores, 30 percent of everybody lining up is just a reseller so it prevents real customers from buying the products firsthand. They can always buy secondhand but sometimes it's too expensive for them. It is just part of the market now, I think.”

ALEXANDRE ARNAULT, CEO RIMOWA



4. Affordability

Scarcity may be what gives streetwear its cachet, but it is affordability that has turned a group of niche brands making cool T-shirts into a multi-billion dollar industry.

Young consumers with limited funds prioritize the brands they love. Just over half of consumers in our survey reported spending \$100 to \$500 a month on streetwear. There are geographical differences in spending – our data indicates that 60 percent of consumers in Japan spend more than \$300 per item, while 61 percent of consumers in Europe and North America spend \$100 to \$300.

Another element of affordability is versatility. Footwear drives streetwear sales, with 62 percent of consumers saying it is the product they are most likely to buy. These days sneakers can be worn in almost all situations and with a variety of different clothes, and like the other streetwear staples, T-shirts and hoodies, they have a far longer lifespan than other fashion items and can be worn year-round.

For brands to succeed, it is key that products are not just perceived as affordable commodities, but as art that is loved by the owner. So how do they go about this?

- Understand the spending patterns and geographical differences between your customers to define pricing.
- Reward your loyal target market instead of targeting those with deep pockets. Using drops, rather than charging high prices, helps put streetwear in the hands of people who love it. If customers perceive prices to be fair, it cements their bond with the brand, encouraging future sales and also making it more likely they will buy direct rather than on resale sites.
- Offer versatile products including shoes, T-shirts and hoodies. There is no need to offer a wide range of styles. A simple portfolio will help you to manage costs and increase speed. Successful streetwear lines do not need a wide range of products, but a versatile collection of sneakers, T-shirts and hoodies that fans want to wear for more than one fashion season. Include a small number of “big bang” designs to grab attention, as well as those designed to be staples.

5. Seamlessly linked online and offline activity

Streetwear and social media have grown up hand-in-hand. However, a unique feature of streetwear is the mismatch between the importance of an online presence for marketing purposes, and actually completing a purchase. Consumers want to buy streetwear directly from the brand, preferably a physical brand store (56 percent) or a brand's e-commerce site (42 percent).

Anything else is considered "Plan B": only 28 percent of survey respondents said they were likely to buy from resale sites (although the resale market is a growing phenomenon); 32 percent from multi-brand retailers; 26 percent from multi-brand e-commerce sites; and 13 percent via social-media sites.

The desire to shop in the brand's bricks-and-mortar store is driven by streetwear's model of making products available for a limited time in certain places. It may appear to run counter to the broader trend for shopping online; the percentage of PwC GCIS respondents who buy something online daily or weekly, rose five percentage points year-on-year, to 31 percent in 2019, for example.

However, what successful streetwear brands offer is a seamless interaction between their offline and online channels. Customers want to enjoy the buzz of waiting outside the brand's flagship store for a drop, or co-creating their own sneakers at a pop-up store. But they learn when these events are happening by engaging online with the brand and third-party sites.

If brands get the interaction right between their online information and offline sales channels, they can cut the amount they spend on traditional top-down marketing activities. Instead, they can focus on increasing the number of organic followers they have as a credible streetwear player.

So how can brands ensure the seamless link?

- Invest in the right front-end IT and data solutions so you not only "broadcast" to consumers, but use data to be able to respond and stay relevant.
- Drive customer-centricity online and offline: establish personal connections online, primarily for information, communication and inspiration and use it as a two-way bridge to experience in the physical space. Establish personal connections offline, primarily for experience, relationship building and purchases. Branded physical stores are the primary place to complete sales.
- Rethink your design and store approach regarding range, timing and volumes for desirability, less mark-downs and a more sustainable concept due to minimized waste.
- Rethink the way your marketing organization operates, how you interact with target groups and other internal functions, and how marketing budgets are spent.

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