THE RETAIL DEMAND RESET

How GLP-1 Adoption Is Reshaping Apparel Economics From Size Curves to Assortment Architecture, Capital Allocation, and Sustainability Risk

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Executive Summary

Following on our reports in 2024 and 2025, the acceleration of GLP-1 usage is sending shock waves through retail demand planning. The influence created by America's rapid weight loss is now expanding beyond size redistribution, influencing fit, style, and color demand. This must create urgency for retailers to reset assortment and allocation models before misalignment compounds.

Our early 2026 data now confirms:

✦ Stores are migrating materially faster than digital

✦ Fit, silhouette, and color amplify size compression

✦ Medium is softening in high-velocity markets

✦ National averages now mask local overexposure

✦ Each season planned off lagging curves compounds capital distortion

In late 2025 we quantified the first-order exposure:

If current GLP-1 adoption trends continue (and all expectations indicate it will accelerate further), more than 400 million apparel units annually could be misaligned by 2027, representing approximately $5 billion in retail capital and margin leakage.

The original estimate assumed:

~60	**apparel units** purchased per adult annually
~200	**million** adult shoppers
1.5–3.0	**percentage** point decline in **L+** share

This continuation of our research on the influence of GLP-1 drug usage on the retail industry examines what happens next, and what other aspects of retail will be impacted by this disruption. This is now beyond just a size curve recalibration issue. This is a capital allocation and operating model decision. If the industry misaligns **400M** units annually, the exposure is not just **$5B** once. The mis-alignment will be $5B compounded across subsequent buy cycles.

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From Curve Drift to Capital Exposure

The prior analysis demonstrated three adoption scenarios

Scenario	Estimated YoY Decline in L+	Annual Units at Risk
Baseline	1.5–2.0 pp	~215–285M
Accelerated	2.0–2.5 pp	~285–360M
Transformational	2.5–3.0 pp	~360–430M

At full retail value, that translates into approximately **$5 billion** in misallocated inventory annually.

That figure reflects:

✦ Overstock in structurally declining L and XL+ bands

✦ Stockouts in S and XS in high-shift markets

✦ Markdown pressure required to clear stranded inventory

✦ Working capital trapped in low-velocity sizes

The new data shows the slope between **2024** and **2025** widening.

Acceleration increases exposure.

If the **2.5–3.0 pp** decline in **L+** accelerates regionally toward **3–4 pp** in certain markets, unit misalignment rises proportionally.

A one percentage point incremental decline in **L+ share** across the U.S. adult apparel base equates to roughly:

~120 million units annually
(~200M adults × 60 units × 1%)

The capital sensitivity is linear.
The operational impact is not.

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Size Curve YoY Shift Analysis (2023 - 2025)
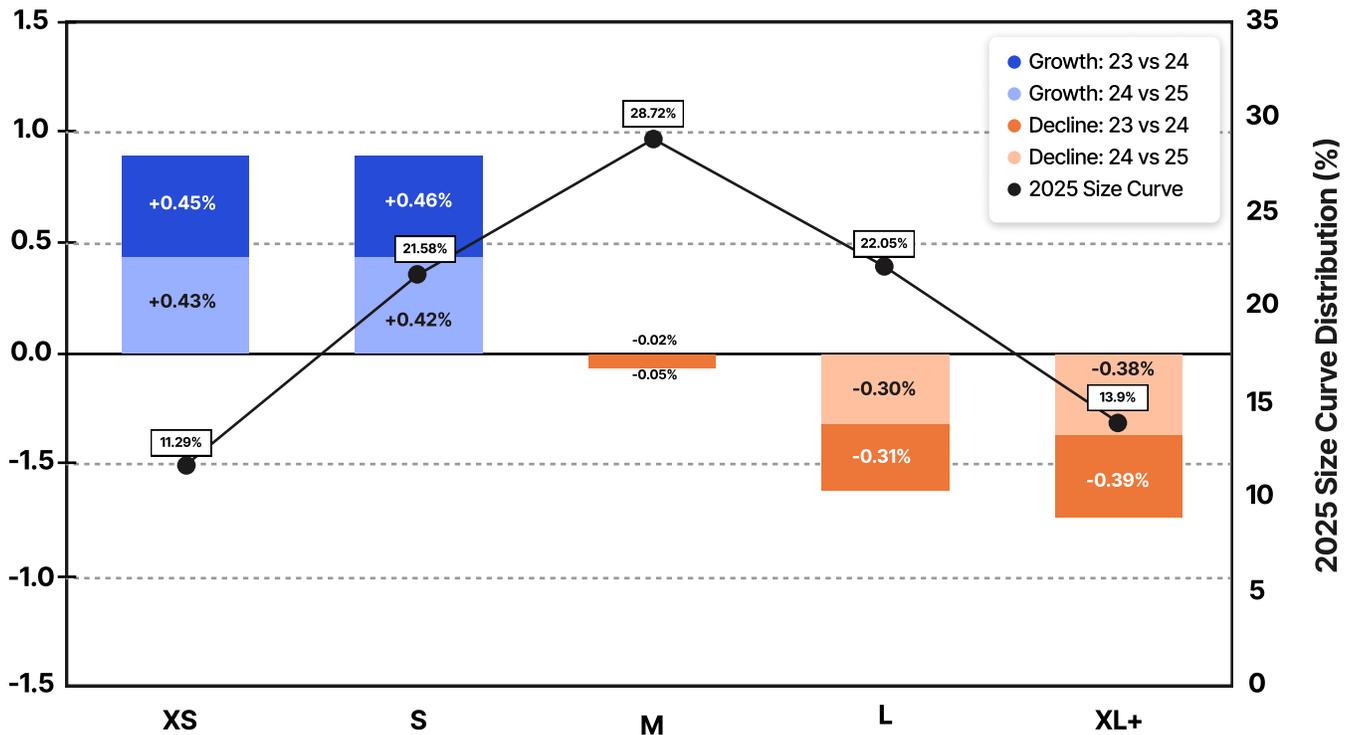
The Compounding Effect Across Buy Cycles

The original **$5B** estimate is **annual**. The risk is multi-season.

If **2026** is planned using **2023** distributions, and **2027** corrects based on **2025** reality, the industry embeds two years of distortion.

Compounding manifests as:

✦ Repeated markdown cycles in declining bands

✦ Constrained open-to-buy flexibility

✦ Margin volatility embedded into EPS

✦ Elevated inventory carry costs

✦ Overcorrection risk in subsequent seasons

This is not a one-time adjustment.
It is a structural reset.
Each season planned off lagging curves multiplies capital inefficiency.

Attribute & Assortment Fragmentation

The exposure is not confined to size labels.
 It is amplified by attribute interaction.

Color

Color curves are fragmenting alongside size. Neutral palettes, including black, navy, and earth tones, are over-indexing in XS and S, while certain seasonal fashion colors show higher volatility across size bands. Aggregated color planning now produces meaningful buy distortion when size migration is not modeled at the palette level.

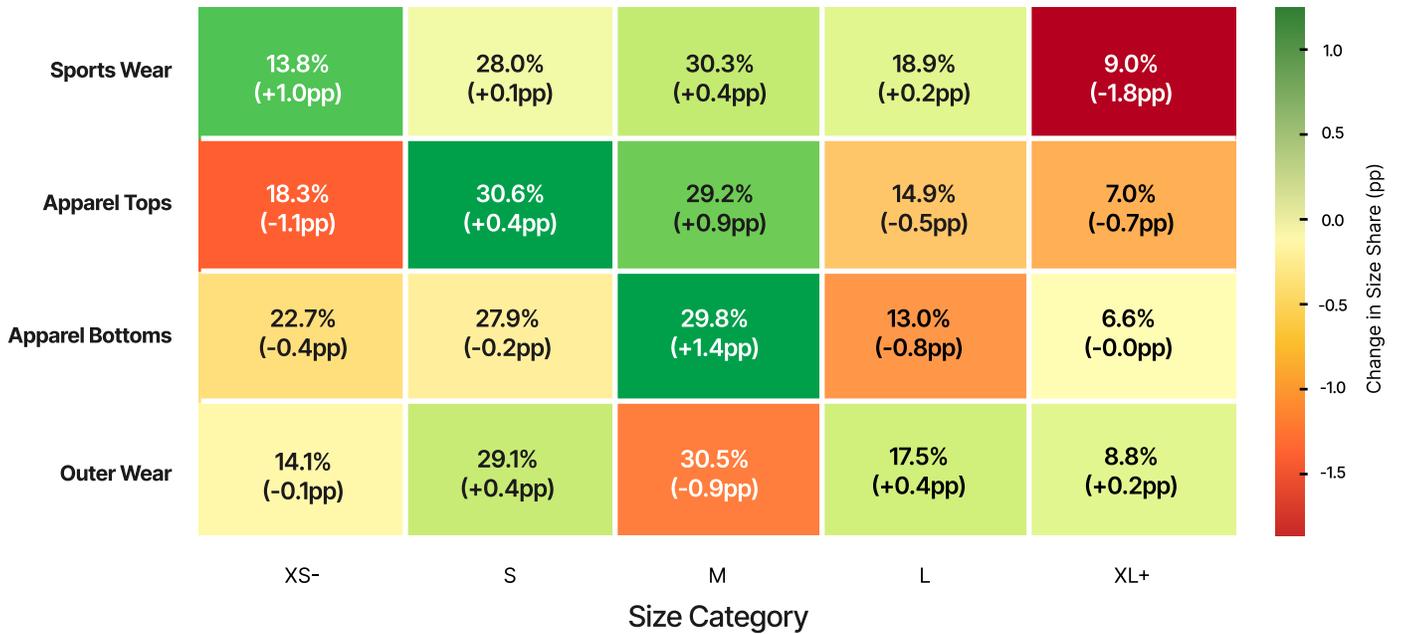**Size Curve Profile: Blue/Black vs. Neutrals**
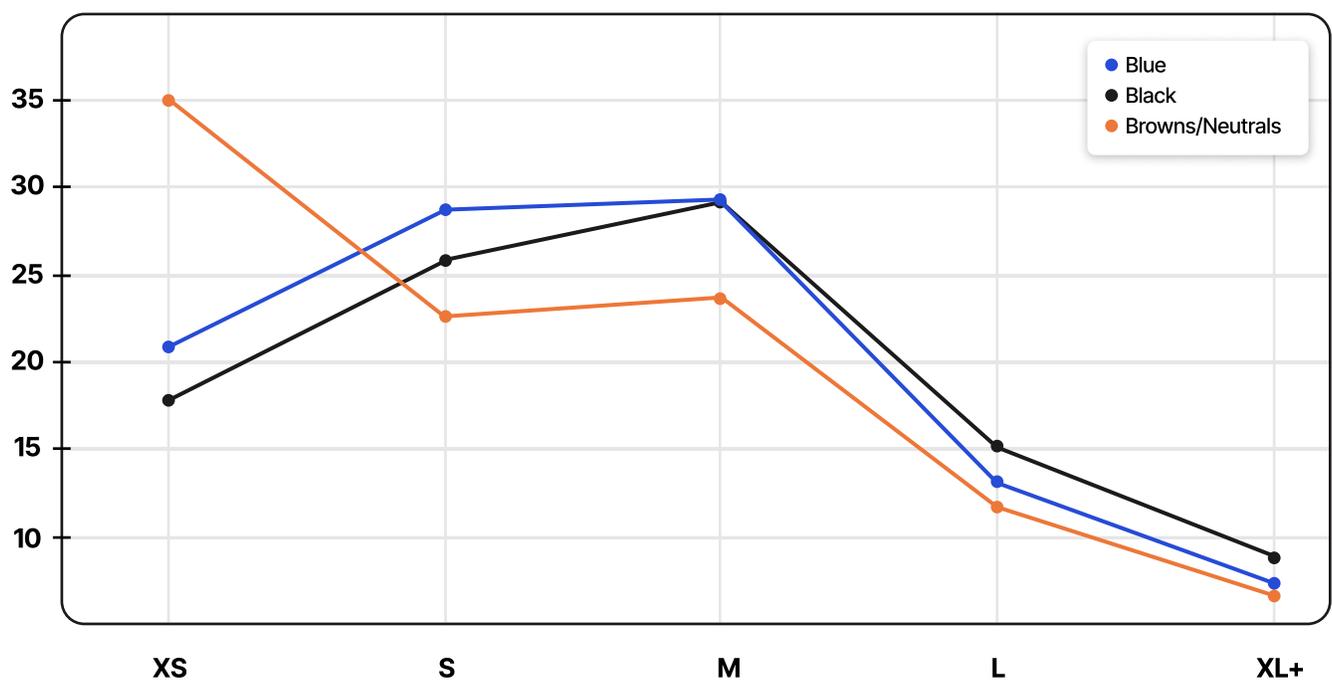
Product Type

Category-level behavior is diverging. Structured outerwear and woven tops are downsizing faster, while knit-based essentials and fleece show mixed directional movement across size bands. Within individual product families, left-shift migration can exceed **1–2 pp** annually, creating subclass-level exposure when depth logic is applied uniformly.

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Retail Size Curve Shift: Momentum Analysis (2024 vs 2025)

	XS-	S	M	L	XL+
Sports Wear	13.8% (+1.0pp)	28.0% (+0.1pp)	30.3% (+0.4pp)	18.9% (+0.2pp)	9.0% (-1.8pp)
Apparel Tops	18.3% (-1.1pp)	30.6% (+0.4pp)	29.2% (+0.9pp)	14.9% (-0.5pp)	7.0% (-0.7pp)
Apparel Bottoms	22.7% (-0.4pp)	27.9% (-0.2pp)	29.8% (+1.4pp)	13.0% (-0.8pp)	6.6% (-0.0pp)
Outer Wear	14.1% (-0.1pp)	29.1% (+0.4pp)	30.5% (-0.9pp)	17.5% (+0.4pp)	8.8% (+0.2pp)

Size Category

Fit

Fit is accelerating curve compression. Slim and athletic silhouettes now concentrate a majority of volume in **XS–S**, while classic straight fits remain anchored in **S–M** and relaxed silhouettes distribute more evenly but still migrate left year over year. When silhouette and size are modeled independently, misallocation can exceed **5 pp** within a single subclass.

YoY Size Curve: Slim Fit

YoY Size Curve: Straight Fit

**YoY Size Curve: Wide Fit**
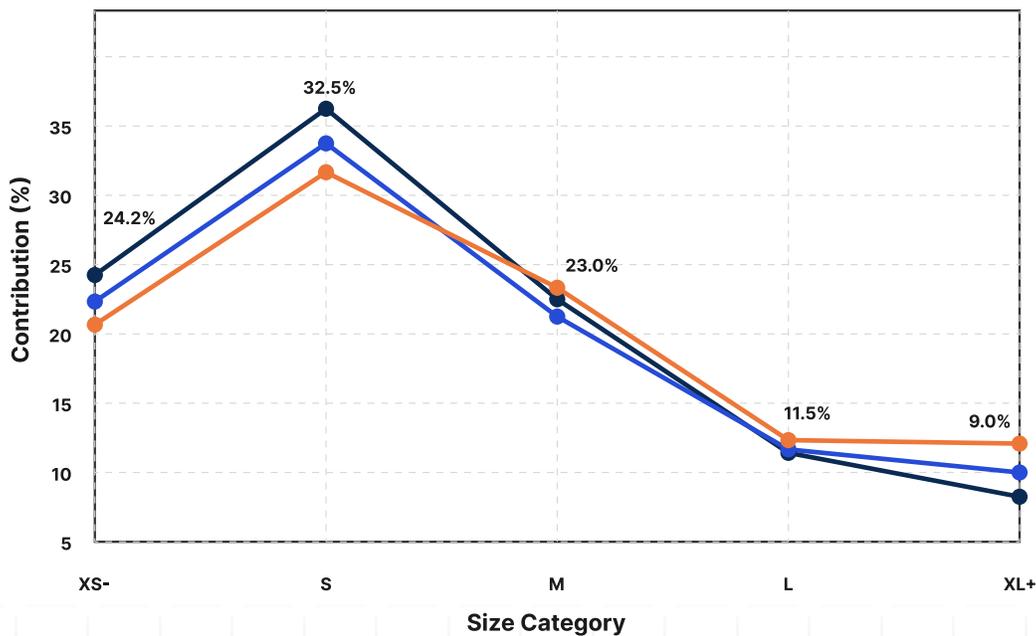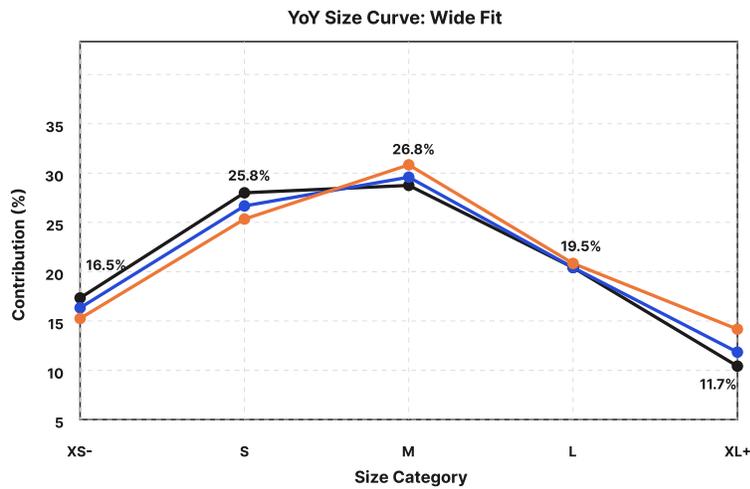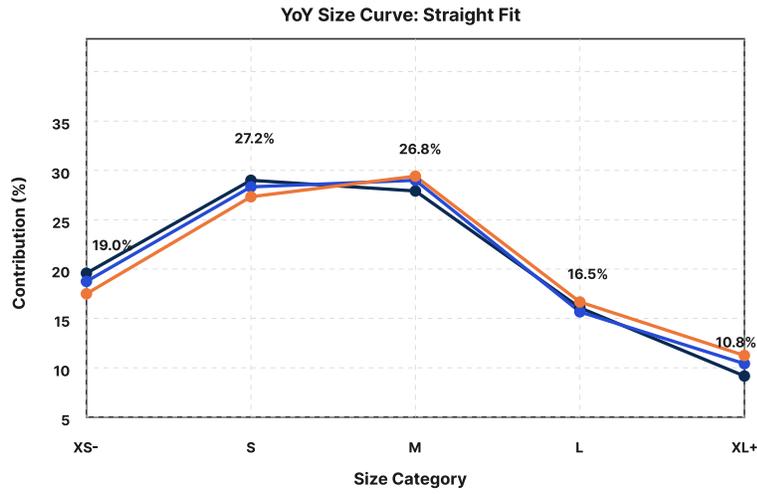
Finish

Finish-level demand sensitivity is emerging as a secondary amplifier. Performance finishes, compression fabrics, and technical treatments are increasingly aligned with smaller labeled sizes, while heritage and comfort-driven constructions show flatter distributions. Finish-driven depth decisions without size interaction modeling embed localized overexposure.
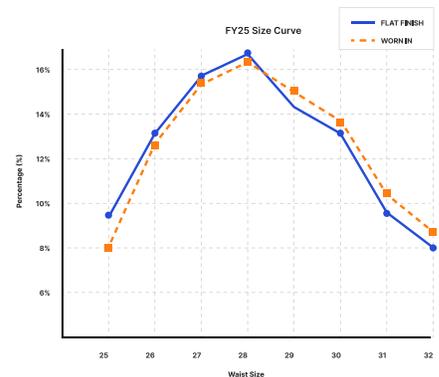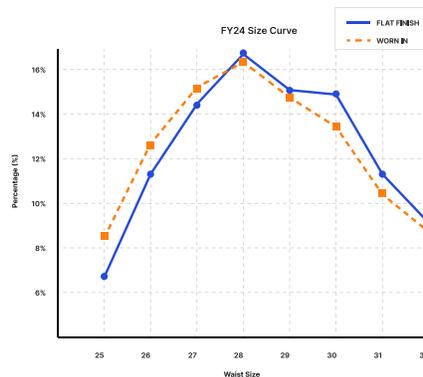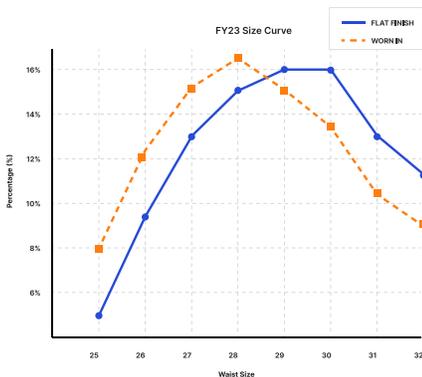
When attribute and size interact, misallocation is no longer marginal.
It becomes structural.
Size fragmentation becomes assortment fragmentation.
Legacy curve aggregation embeds overstock in declining bands and stockouts in accelerating bands.
Attribute-aware size planning is now required.

Returns & Markdown Economics

Returns are the lagging financial signal.

Size misalignment produces:

✦ Bracketing behavior in larger bands

✦ Elevated return rates in declining sizes

✦ Reverse logistics cost

✦ Restocking friction

Financial cascade:

Misaligned Depth → Markdown → Return → Reverse Logistics → Margin Erosion

Even a 1 pp increase in return rate on $10B in category revenue equals $100M in incremental reverse logistics and margin exposure. These returns cannot be regarded as just customer noise.

They indicate margin leakage.

Size Curve ('23-'25) | Structural Shift Toward Smaller Sizes

Legend: ■ 2023 (blue) ■ 2024 (black) ■ 2025 (orange)

Size	2023	2024	2025
XS	3.9%		5.4%
S	12.2%		15.2%
M	21.8%		24.7%
L	24.2%		24.0%
XL	20.0%		16.4%
XL+	17.9%		14.3%
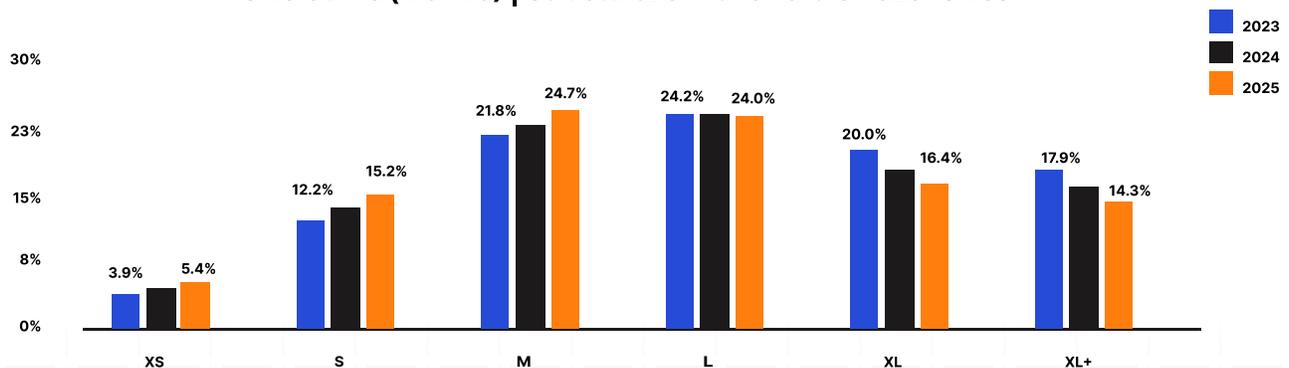
Markdown – Higher Markdown Penetration, Especially in Larger Sizes						
	XS	S	M	L	XL	XL+
2023	5%	4%	5%	6%	7%	4%
2024	14%	15%	15%	16%	18%	19%
2025	9%	10%	11%	13%	18%	26%

Returns – Size-Fit Mismatch Is Driving Higher Returns						
	XS	S	M	L	XL	XL+
2023	22%	20%	18%	17%	17%	15%
2024	24%	22%	20%	19%	19%	17%
2025	26%	23%	22%	21%	20%	19%

Medium Is No Longer Universally Safe

Medium has historically anchored the curve.

The new data shows:

✦ Stabilization nationally

✦ Softening in high-adoption markets

✦ Early signs of middle compression in select subclasses

Given Medium's volume weight, even a 0.5–1.0 pp decline creates disproportionate exposure.

Example:

A **0.75 pp** decline in M share across **12 billion** annual units (~200M adults × 60 units)	**=** **Equals**	**~90 million** units shifting bands.

Medium erosion is financially amplified.

Sustainability: Quantifiable Cost Avoidance

Overproduction in declining size bands drives:

- ✦ Late-season markdowns
- ✦ Off-price diversion
- ✦ Liquidation
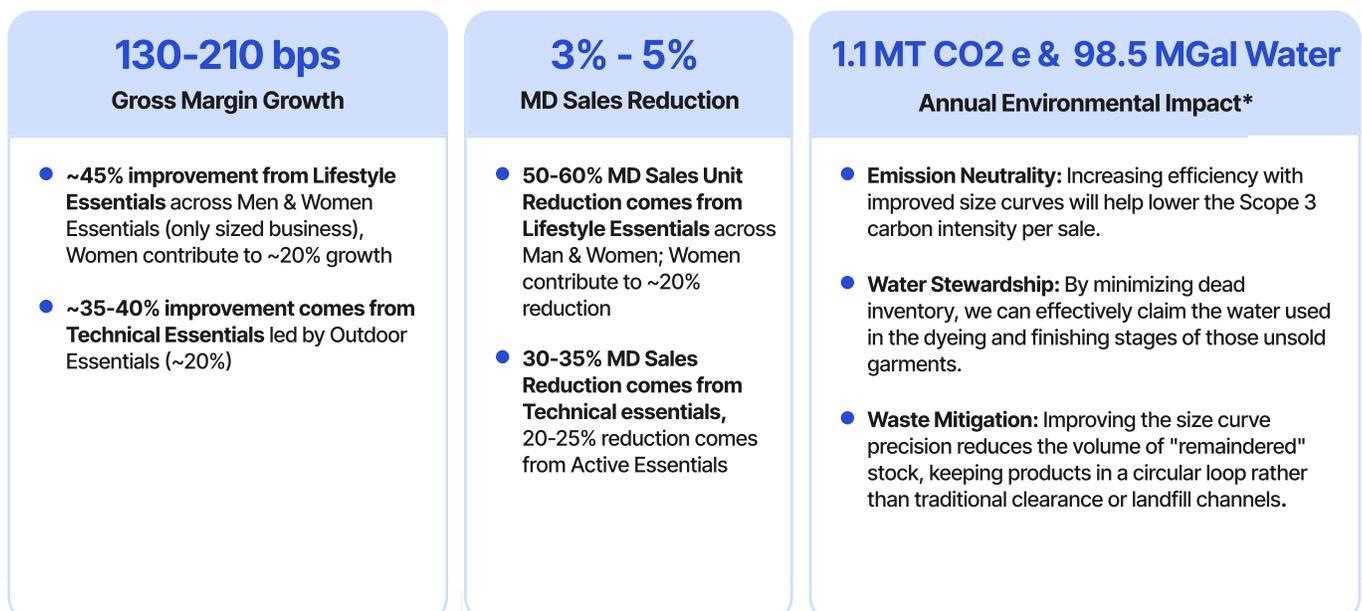- ✦ Disposal
- ✦ Avoidable freight emissions

If even 5% of the 400M misaligned units end up liquidated or destroyed, that equals:
20 million units annually of embedded waste. Precision size planning reduces waste at source. Sustainability impact is not only reputational. It directly affects the bottom line.

Focusing on sustainability means cost mitigation.

Lower excess inventory reduces:

- ✦ Raw material waste
- ✦ Freight and handling expense
- ✦ Reverse logistics carbon footprint
- ✦ Disposal costs

Size precision is a financial and environmental lever.

130-210 bps	3% - 5%	1.1 MT CO2 e & 98.5 MGal Water
Gross Margin Growth	**MD Sales Reduction**	**Annual Environmental Impact***
• **~45% improvement from Lifestyle Essentials** across Men & Women Essentials (only sized business), Women contribute to ~20% growth • **~35-40% improvement comes from Technical Essentials** led by Outdoor Essentials (~20%)	• **50-60% MD Sales Unit Reduction comes from Lifestyle Essentials** across Man & Women; Women contribute to ~20% reduction • **30-35% MD Sales Reduction comes from Technical essentials,** 20-25% reduction comes from Active Essentials	• **Emission Neutrality:** Increasing efficiency with improved size curves will help lower the Scope 3 carbon intensity per sale. • **Water Stewardship:** By minimizing dead inventory, we can effectively claim the water used in the dyeing and finishing stages of those unsold garments. • **Waste Mitigation:** Improving the size curve precision reduces the volume of "remaindered" stock, keeping products in a circular loop rather than traditional clearance or landfill channels.

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Why Static Planning Models Cannot Keep Up

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Traditional planning assumes:

- Gradual demographic drift
- **Five-year historical averages**
- Annual recalibration cycles

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Current migration shows:

- Non-linear acceleration
- Regional divergence
- Attribute-level fragmentation
- Channel asymmetry

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By the time line reviews adjust pack ratios, inventory is committed. Static curve logic in a dynamic environment guarantees lag. Lag guarantees capital inefficiency.

Strategic Imperatives for 2026–2027

1. Re-calibrate 2025 Distributions to Re-establish a Baseline

Remove historical inertia from forward-buy commitments.

2. Redesign Depth Economics

Depth must reflect:

- ✦ Velocity differentials
- ✦ Return sensitivity
- ✦ Regional divergence
- ✦ Attribute interaction

3. Separate Channel Curves

Store and digital modeling must be independent.

4. Integrate Size + Attribute + Region

Single-curve logic is now obsolete.

5. Move to Continuous Optimization

Annual resets embed exposure.
Dynamic monitoring reduces compounding risk.

6. Elevate Size to a Board-Level Metric

Size precision should be tracked alongside:

- ✦ Markdown rate
- ✦ Inventory turn
- ✦ Working capital intensity
- ✦ Return ratio

Five-Year Financial Outlook

If GLP-1 adoption continues to scale as expected:

S–M dominance may structurally stabilize	**L+** erosion may accelerate in urban markets	**Medium** may fragment regionally	**Athletic silhouettes** may amplify compression

At **3 pp** structural decline in **L+** share nationally, the industry faces:

- ✦ **~360–430M** units annually misaligned
- ✦ **~$5B** in capital exposure **annually**
- ✦ Multi-year compounding margin volatility

Underestimating velocity increases the cost of correction.

Conclusion: The Operating Model Must Reset

The apparel industry is not facing temporary volatility. It is facing demand re-segmentation.

Visible:

Nationally	By region	By channel	By category	By silhouette	By attribute

The financial exposure is measured in **billions and threatens to continue expansion.** The environmental exposure is measured in **millions of units. Size curve optimization, assortment and attribute planning** are no longer a tactical refinement. This is a structural capital efficiency capability. **The demand reset must be addressed, before the financial risks compound further.**

> **The $5+ billion question** *is whether planning systems will reset before the next buy cycle locks in yesterday's obsolete assumptions.*

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Take the Next Step

Take the next step toward a size curve optimization plan that can handle the complexities of modern buyer behavior, market conditions, and internal metrics. Discover the power of AI today.

Schedule a Consultation

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