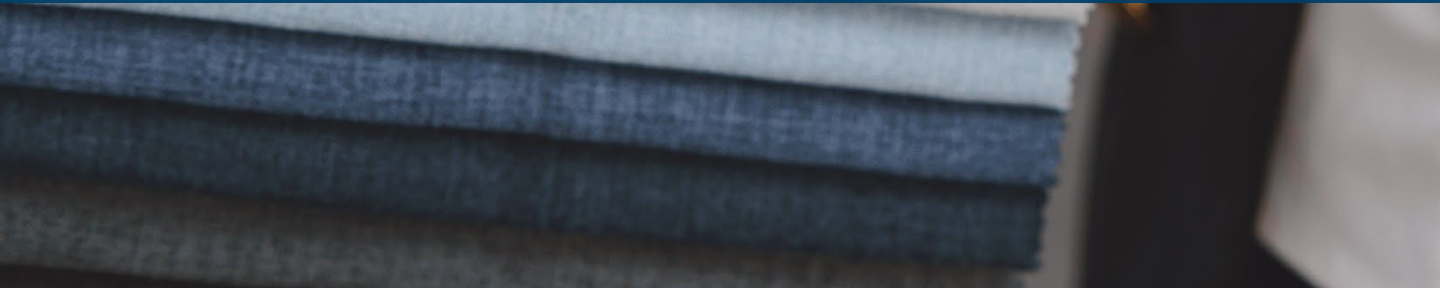




CONSUMER AND  
RETAIL GROUP



# The Next Fashion Evolution: Conscious Fashion Fast



# Fast Fashion is here to stay – and so is ESG



## Fast Fashion and ESG seem to clash, but there is no choice but to run fast operations sustainably.

As outlined in our article, “The New Evolution of Fast Fashion”, consumer needs have changed. They increasingly want the latest trend now from whichever brand has it available. To meet this need, brands and retailers are adopting quicker cycle times from concept to delivery by shortening development and production timelines and creating more nimble supply networks.

However, this is in opposition to the increasing call for sustainable and environmental responsibility in the apparel industry. The fashion and apparel industry is responsible for releasing more than 10% of overall carbon emissions. The negative impact of fast fashion practices on the environment and working conditions has caused backlash to the “trends now” mentality. Even Shein, the Chinese fast-fashion giant, has seen US sales decline in 6 of the last 7 months. Many are attributing this stall to the recent backlash against Shein for their environmental impact and workers rights.

As brands and retailers continue adapting to the fast fashion world, environmental and social responsibility cannot be overlooked.



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Just as retailers are improving speed to market, consumers are increasingly looking for companies that are better for our planet and the people that live here. From seeking out purpose-driven brands and exploring the reuse and re-wear markets, consumers (especially Millennials and Gen-Z) are starting to be more ESG-conscious in their spending. And while these shopping behaviors make their way to Fifth Avenue, regulatory pressures lurk on the horizon, setting strict requirements and pushing companies into action in order to remain compliant.

So how do brands balance the loud call for trends immediately with the growing call for ESG responsibility? In this article we will discuss how reacting to trend quickly and ESG responsibility are not mutually exclusive. Outlining initiatives retailers and brands can introduce to improve ESG strategy, while still moving product through the product development cycle quickly.

ESG is no longer a nice-to-have – it has become a requirement for future success, especially as Millennials and Gen-Z approach the peak of their purchasing power.



# Consumers' Sentiments: Change is coming



Customers are grappling with their want for clothes now and the impact this has on the environment. Increasingly, consumers are integrating sustainability in their shopping decisions. A&M Consumer and Retail Group surveyed ~500 customers in the U.S. to understand consumer ESG sentiments and purchasing decisions.



Even though respondents say they prioritize sustainability when shopping, many still won't pay more for sustainable products.

**26%** of overall consumers will not pay more for ESG products



Millennials & Gen-Z will pay significantly more for ESG-compliant brands. As they come into their purchasing power, younger shoppers will reward sustainable brands.

**50%** of both Gen-Z and Millennials are willing to pay 30% or more for sustainable products



Consumers have higher expectations of companies' ESG accomplishments than ever before

**56%** of consumers don't believe companies are doing enough regarding sustainability



# Regulators' Landscape: ESG Compliance or Bust

As customers have increasingly demanded ESG compliance from brands, regulations have followed. In recent years, government agencies across the globe have established stricter ESG regulation. **Regulations are coming in hard and fast. These should serve as a wake-up call for fashion companies. They need to implement ESG changes now or risk not only top-line sales but a complete shutdown of business in large markets.** Those ahead of the curve are at an advantage, but slow adopters must act swiftly or risk losing key markets.

## BELOW ARE EXAMPLES OF MAJOR FASHION & RETAIL ESG REGULATORY CHANGES ON THE HORIZON:



### *California State Acts*

In the US, California has taken a leading role in passing ESG-focused acts demanding immediate action to phase out the use of toxic chemicals and single-use plastics and improve worker conditions in the apparel manufacturing industry.

### *NY Fashion Act*

This act sets science-based targets on GHG emissions, requires brands to map at least 50% of their supply chain fair wage labor practices, and disclose environmental impacts. Failure to comply results in steep fines.

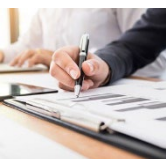
### *EU Forced Labor Product Ban*

While the EU has several directives that are aimed ESG of retail companies, the most recent Forced Labor Product Ban holds companies accountable for labor practices in their supply chains, banning products that are made with forced labor anywhere in the manufacturing process



# ESG Tactics: Where to Start

**How do you start to improve ESG?** Retail brands are targeting ESG efforts without a strategic perspective and prioritizing externally-facing, flashy claims that are easy to market but don't create real change. They are meeting consumers where they are (or have been) rather than where they will be in the very near future. This causes brands to be accused of "greenwashing". As retailers and brands assess their ESG strategy, we have outlined 6 areas to start, each with their own pros and cons.



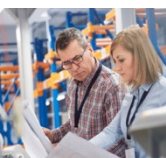
## ESG Certifications

Several assessment tools and certificates are present in the market, including Higg Index and B-Corp Certification. Multiple certifications to provide ESG visibility and clarity to consumers requires thoughtful selection of what certification standards to adopt.



## Raw Materials

Brands can utilize recyclable, innovative fabrics (orange fiber, apple leather, etc.) to minimize environmental impact and ban the use of animal fur.



## Supply Chain Transparency

Brands can providing visibility working conditions across the supply chain, conduct human rights diligences, and ensure compliance. However, with the amount of partners involved in production this can be difficult to verify across all steps of the supply chain.



## Water & Energy Efficiency

To reduce impact from operations while saving cost, organizations are minimizing waste and evolving processes to be more water and energy efficient. Yet, fossil fuels remain a significant source of energy throughout the process and many energy saving efforts are only utilized for a small percentage of overall manufacturing.



## Carbon Offset Projects

Brands are partnering with ESG-focused asset investment managers like EFM, to purchase carbon credits to offset their footprint. However, this simply covers up other issues throughout the value chain, feeding into greenwashing claims.



## Re-Use & Circular Business Models

Circularity is a long-term initiative to extend the product lifecycle, including upcycling obsolete goods and overstock, initiating rental programs, investing in second-hand platforms, and innovating circular design tools. However, most mass-produced clothing is too low-quality to be upcycled, ending up in a landfill.



# Conscientious Meets Commercial



ESG is no longer something that can be put off. Regulations and customers are demanding real impact now. But current efforts in the industry in key areas such as supply chain transparency, raw materials and fossil fuels are only applied to a small set of SKUs, are unverified, and are used as mainly as marketing tools. So, how can apparel retailers and brands become more sustainable while also providing fast trends and not breaking the bank? Below are the 5 key ways brands can lead the future of ESG.



## 01 Take a Stand

To ensure that what they are doing has the highest impact while also not breaking the bank, brands need to decide what ESG component(s) to focus on and commit to them.

- Apparel brands and retailers need to do a full audit of every aspect of their system to understand where the largest wastes are and what changes need to be made to reduce.
- Brands may not be able to solve every single aspect of their business, but they can take an authentic and transparent stand in terms of what and how they address their challenges.
- Focusing on an area that has the highest ESG impact for your company will not only have the biggest change, but can reduce manufacturing costs and wasted time in your supply chain allowing for cheaper and faster go-to-market.



## 02 Invest in the Future

There are already large changes coming down the pipeline regarding ESG regulation, which will require planned investments.

- **28% of consumers stated in the survey that they are willing to spend more - up to 20% on sustainable clothing and accessories - but they expect brands to be accountable as well.** While consumers are willing to contribute, they aren't willing to shoulder the entirety of the cost.
- There are a number of green financing options available which can help with long-term costs. However, changing an entire process will require investment. But with changing customer demand and regulation, if changes are not made now you could face customer backlash and a complete stop in business in certain markets.





## 03 Look Internally



**Addressing sustainability requires apparel companies and brands to look within their own organizations and processes to eliminate waste, cost, and time in the holistic product to market process.**

- Apparel brands and retailers must re-evaluate their product development process, eliminating unnecessary or redundant steps. This will help improve speed to market while reducing costs of wasted raw materials, samples, and excess inventory.
- One way to do this is reducing proto-samples that can eliminate additional fabric waste and reduce 3-7 weeks in the initial process stages. This can be done by incorporating fit conversations into the aesthetic and design process and increasing the precision of initial tech packs, eliminating multiple samples to land aesthetic and technical fit.

## 04 Play Up Partnerships

**Retailers and brands cannot enact sustainability strategies in a silo. They must work closely to set the strategy with their partners to effectively push ESG efforts forward.**

- Many retailers make the mistake of loudly announcing plans to reduce environmental impact and increase social justice programs and then force these stipulations onto their supply chain partners. Operating unilaterally can increase implementation times and costs. Brands will be more successful in impact, traceability, and compliance by working with partners to build share goals, recommended initiatives, and timelines before announcing public commitments.
- This integrated relationship with supply chain partners will also help move product into market faster and decrease costs. A closer partnership opens communication channels that can clear bottlenecks early and quick.



## 05 Sell it to the Customer

Brands need to communicate their ESG efforts to customers in a compelling, authentic way in order to gain the benefits of increased sales.

- In our survey, **65% of respondents do not seek to authenticate ESG claims on their own or will assume claim authenticity based on the brand**. Additionally, many consumers look at information provided on a brand's website when making purchasing decisions.
- Brands must tell the story of the initiatives they are taking to pursue ESG goals in a clear and engaging way. This has to be is real impact behind the story that can be easily validated. If not, it will come across as "greenwashing" to customers. Impact must be translated into consumer-relatable language for brands to be able to sell to an ESG-conscious consumer.



**Fashion that  
is fast and  
sustainable  
will win.**

Offering compelling product will always be critical in retail. However, sustainability is table stakes to stay relevant to the modern consumer and be in-line with regulations. Brands and retailers that do not begin ESG initiatives now stand to lose customers, revenues, and relevance while also risking increased costs from regulatory non-compliance.

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At A&M, we have the experience and resources to support you during these turbulent times. We are passionate about helping companies achieve their maximum potential and be on the right side of disruption. We look forward to connecting.

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