

Fashion Marketing – Session 9

22.11.2023

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Investigating the impossible: sustainable fashion

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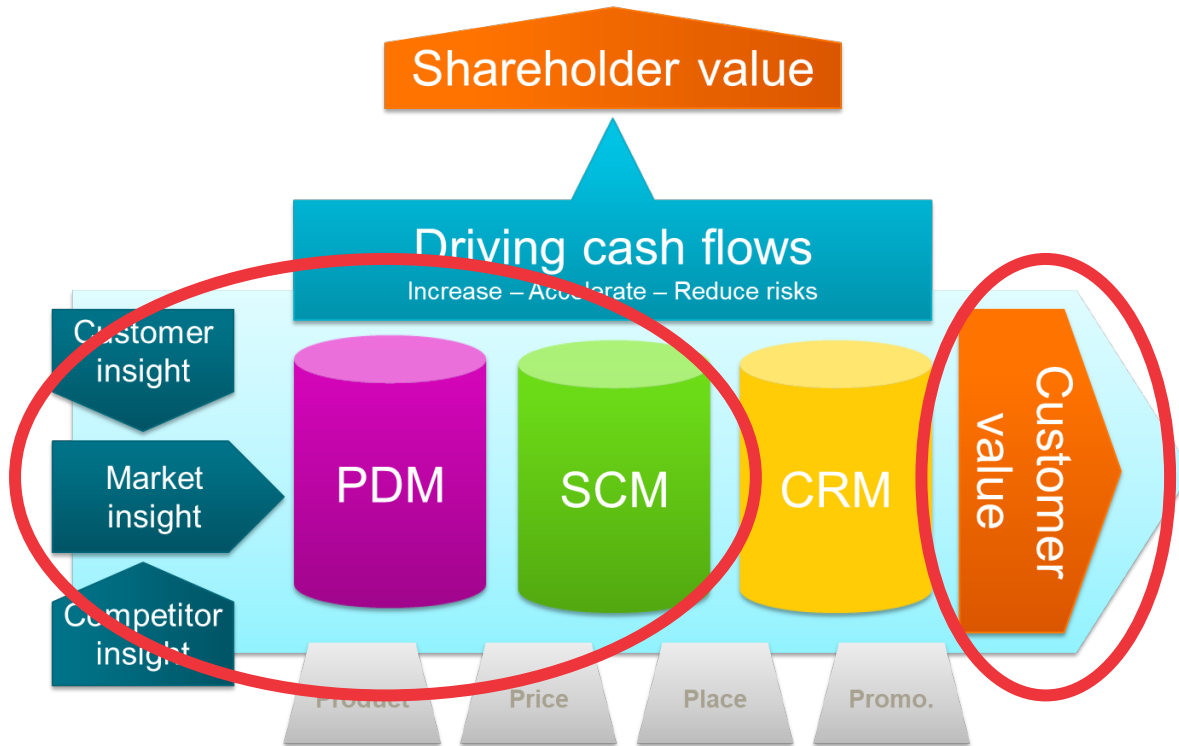
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Strategic marketing architecture

(Mattila)



Industry under pressure

(Koivisto & Mattila)

- The luxury fashion industry is facing increasing scrutiny due to its negative environmental impact and unsustainable production methods
- New business models in the form of second-hand commerce and renting are emerging as attractive options for consumers, reshaping the luxury fashion landscape

Four prevalent business models

(Koivisto & Mattila)

- The prevalent business models in the second-hand luxury fashion industry
 1. Third-party sales platforms, such as auction houses and digital operators, that curate, value, and sell luxury items.
 2. Peer-to-peer marketplaces that enable individuals and professional sellers to buy and sell second-hand luxury items
 3. Closed-loop brands operate their own recycling operations, refurbishing and retailing used luxury items directly to consumers
 4. Companies focused on reorganizing the value chain support luxury brands in establishing closed-loop operations

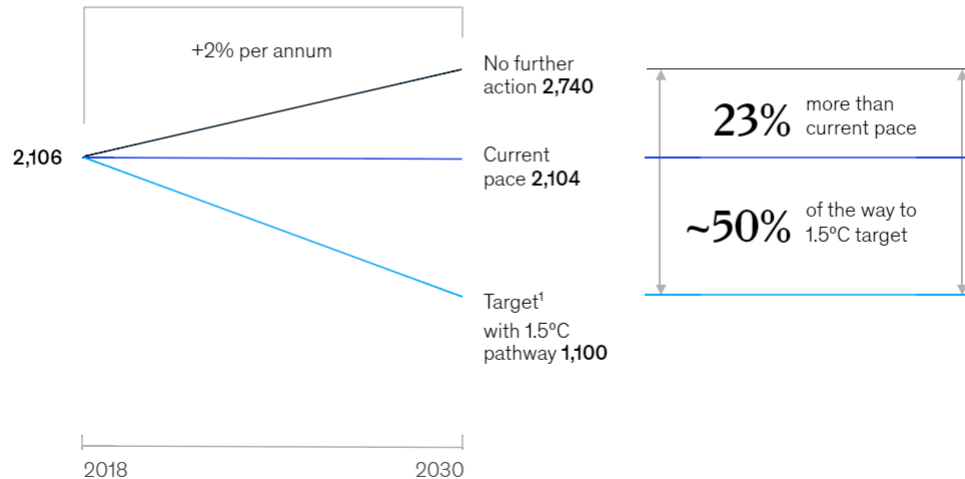
Opportunity for the industry at large (Koivisto & Mattila)

- The growth of the second-hand luxury fashion market presents an opportunity for the industry to transition to a more sustainable and circular model, extending the lifecycle of products and reducing waste and resource consumption
- Consumer perception of preowned fashion is shifting from seeing it as outdated to valuing it as pre-loved or vintage
- The emergence of new business models within the value chain also increases the primary market value of luxury items and introduces them to new customer segments

Unsustainable industry (McKinsey 2023)

Under the current trajectory, the fashion industry misses the 1.5°C pathway by 50 percent and abates only emissions from incremental growth.

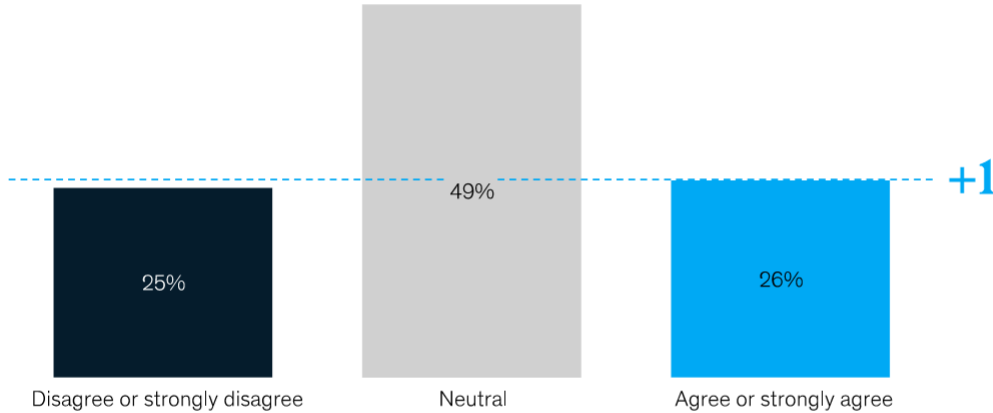
Emissions abatement assuming the industry decarbonization continues at current pace, million tons of CO₂ equivalent



Our recent UK consumer survey suggests that about one-quarter of consumers make purchase decisions that are actively driven by sustainability.

Consumers claiming their purchasing decisions are driven by sustainability considerations,¹ % of respondents

Net intent,²
top 2 – bottom 2



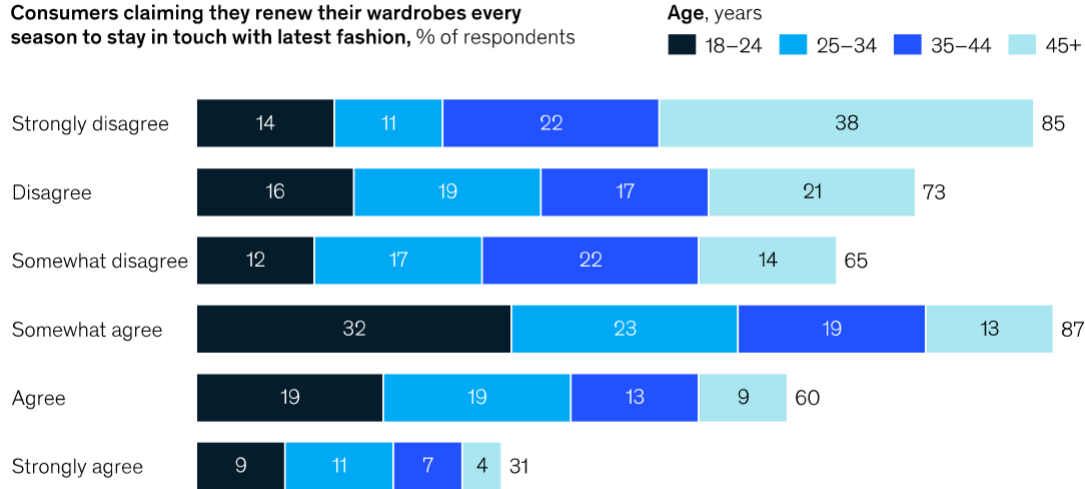
¹ Question: "Please indicate how strongly you agree or disagree with either of the following statements when it comes to selecting clothes/footwear/accessories brands." Average of responses to the following: I go out of my way to buy clothes, footwear, or accessories from sustainable brands and eco-brands; I seek out clothes, footwear, or accessories made with sustainable and environmentally friendly materials.

² Agree or strongly agree minus disagree or strongly disagree.

Source: McKinsey UK Sustainability Survey, October 2021 (n = 889; men = 389, women = 500; 18–24 years old = 139, 25–34 years old = 281, 35–44 years old = 217, 45+ years old = 252)

McKinsey
& Company

There is a correlation between consumers who are engaged with sustainability and those who are likely to generate waste by renewing their wardrobes every season, creating a sustainability paradox.

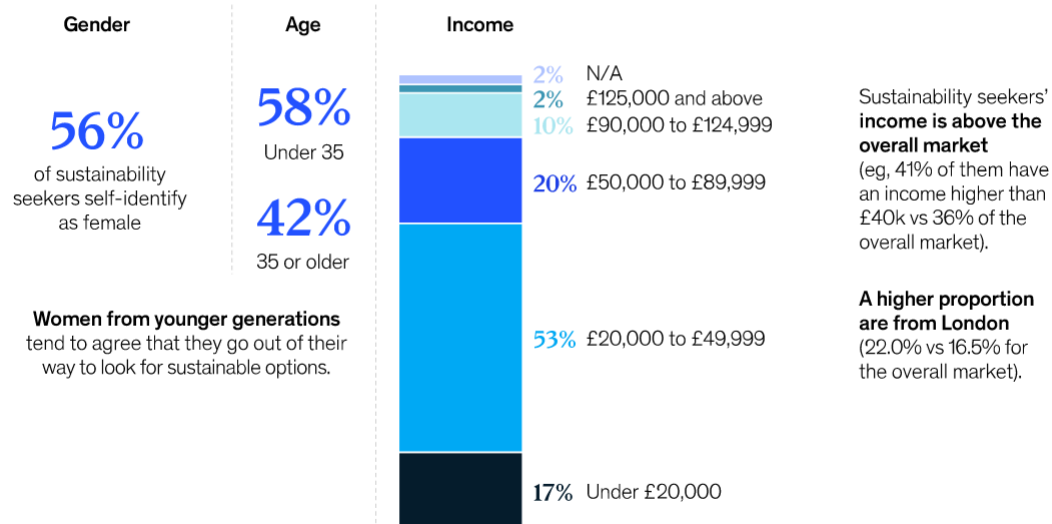


Note: Figures may not sum to 100%, because of rounding.
Source: McKinsey analysis

McKinsey

Sustainability seekers are evenly spread among gender and age but often have above-average income.

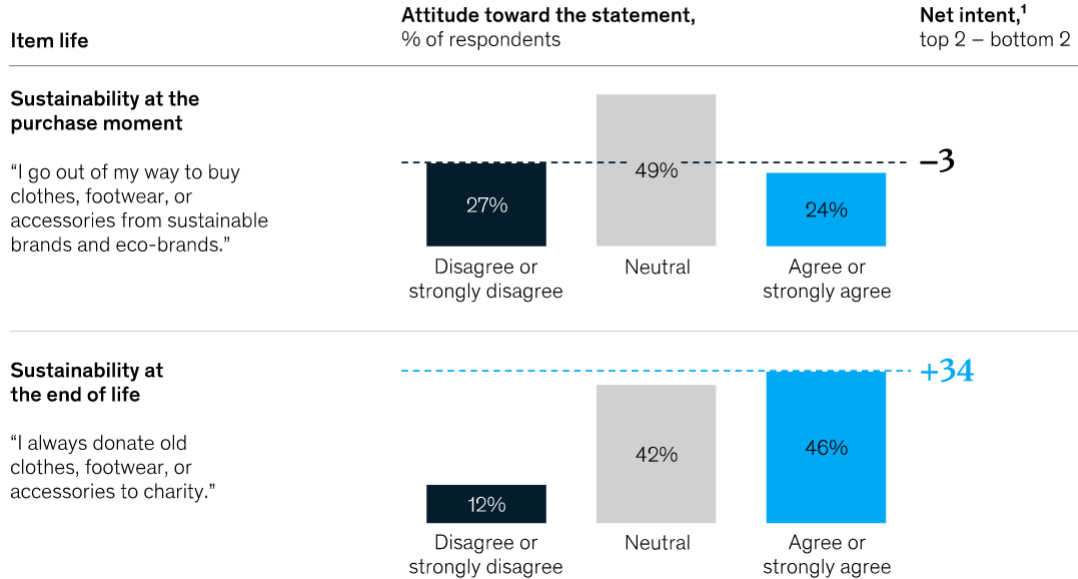
Profile of respondents who agree or strongly agree that they go out of their way to buy clothes, footwear, or accessories from sustainable and eco-friendly brands



Note: Figures may not sum to 100%, because of rounding.

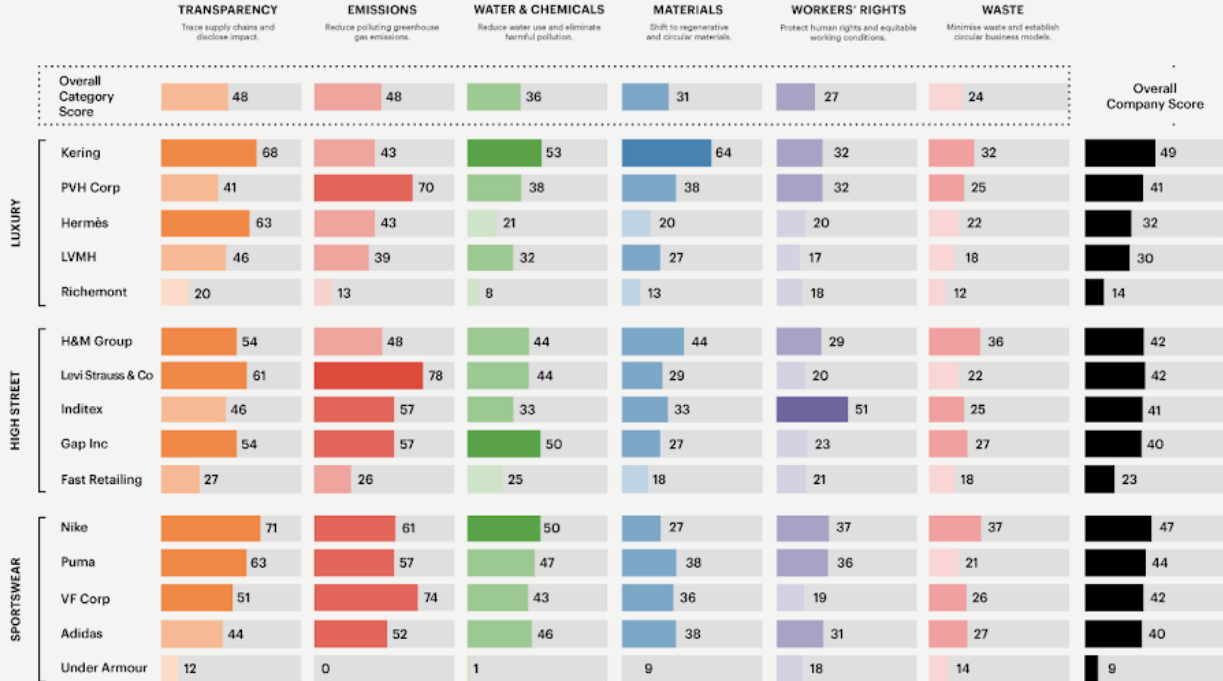
Source: McKinsey UK Sustainability Survey, October 2021 (n = 889; men = 389; women = 500; 18–24 years old = 139; 25–34 years old = 281)

Consumers are more interested in sustainability at an item's end of life than at the purchase moment.



¹ Agree or strongly agree minus disagree or strongly disagree.
 Source: McKinsey UK Sustainability Survey, October 2021 (n = 889; men = 389, women = 500; 18–24 years old = 139, 25–34 years old = 281, 35–44 years old = 217, 45+ years old = 252)

The BoF Sustainability Index



The companies are ordered by overall performance within their verticals. The categories are listed in order of overall performance. Scores are calculated as percentages, with the totals representing the mean average for each company and category.

Source: BoF analysis of companies' public disclosures as of December 31, 2020. Company selection reflects the top five companies by annual revenue in 2019 in three categories. Annual revenue data provided by McKinsey & Company.

BoF INSIGHTS | The BoF Sustainability Index 2022

	Overall Index Score:	Emissions:	Transparency:	Water & Chemicals:	Materials:	Workers' Rights:	Waste:
	28	38	35	26	25	25	19
● Puma	↑9	49	74	56	30	47	22
● Kering	↑5	47	74	51	48	40	24
● Levi Strauss	↑8	44	79	56	30	32	22
● H&M Group	↑5	42	36	48	47	43	38
● Burberry		41	57	44	42	48	24
● VF	↑6	41	64	52	30	30	30
● PVH	↑6	41	57	52	40	35	24
● Nike	↓2	41	43	70	44	17	33
● Inditex	↑6	40	50	52	33	39	22
● Adidas	↑1	37	50	37	35	43	24
● Lululemon		36	43	44	37	30	24
● LVMH	↑8	36	50	52	33	30	30
● Next		34	50	52	35	30	11
● Gap Inc.	↓2	33	50	48	30	22	26
● Ralph Lauren		32	43	33	33	39	22
● Hermès	↑9	32	36	48	26	22	32
● Fast Retailing	↑11	30	43	41	26	22	30
● Asics		29	50	26	19	35	24
● Tapestry		22	29	26	16	26	21
● AEO		21	50	11	19	22	12
● Richemont	↑8	20	43	15	7	13	25
● A&F Co.		18	21	22	9	30	21
● Capri		18	29	15	23	13	14
● Prada Group		16	36	15	5	9	16
● Under Armour	↑6	13	29	11	9	4	21
● URBN		8	0	0	5	13	11
● Skechers		7	0	7	5	4	18
● Fila Holdings		7	7	7	0	9	12
● Anta Sports		4	0	4	5	4	7
● HLA Group		0	0	0	0	0	0



Note: The 2022 index is based on public information published on or before Dec. 31, 2021. Scores are calculated as percentages, with the totals representing the mean for each company. Companies and categories are ordered by overall performance.