Only a few years ago, sustainability was regarded chiefly as a marketing claim, but it is now becoming an essential element at the heart of the business strategies of fashion and luxury labels, generating a genuine economic benefit. These are the conclusions of a survey by McKinsey & Company for the Italian Fashion Chamber (the Camera Nazionale della Moda Italiana, CNMI), presented during the 'International Roundtable on Sustainability' that was organised on Tuesday in Milan by the Italian fashion industry’s main representative body.
“The survey confirmed that sustainability has grown beyond a level of mere awareness, becoming a genuine strategic factor for the development of brands. It is indeed a necessary condition [for brands] to be able to operate within sophisticated markets in department stores,” said Antonio Achille, a partner in charge of the luxury industry worldwide at consultancy firm McKinsey & Company.

The survey was carried out with 90 buyers from department stores operating in 25 countries, including Le Printemps, Hyundai, Takashimaya, Saks, Barneys, Lane Crawford, La Rinascente, Beymen, the Kadewe Group and Isetan Mitsukoshi, whose total value of luxury goods purchases is estimated at €50 billion.

According to the survey, sustainable products account on average for 23% of department store purchases (26% in Europe, 24% in the USA, 22% in Japan and South Korea, 19% in China). The share is expected to rise to 40% in five years. For 68% of the buyers interviewed, sustainable development is more directly linked to tangible elements like materials, production processes and working conditions, rather than to intangibles like marketing, brand reputation or philanthropy. The investment required by the former elements is of course more sizeable.

Another interesting finding was that over one quarter of the buyers interviewed said they had to withdraw a label from their range for reasons linked to sustainability, such as societal and ethical issues, animal well-being or because the label’s brand image wasn’t consistent with the concept of sustainability.

“Sustainability is becoming an increasingly ubiquitous shared value, driving the performance of brands and generating economic benefits. Ten, or even five years ago, this element was virtually non-existent,” the survey’s author Achille told FashionNetwork.com.

“Nowadays, if a fashion business does not embrace environmentally and socially acceptable behaviour and governance criteria, it will expose itself to high and frequent risks with the consumer community. In the years to come, labels which will not take these elements into account won’t simply lose market share, they will be driven out of the market itself,” added Achille.

“On this issue, we are increasingly being queried by credit rating agencies and investors, while in the past this happened much less frequently. We are noticing that interest [in the issue] is increasing significantly. The fact that the financial community is getting involved is important,” said Marie-Claire Daveu, chief sustainability officer and head of international institutional affairs for Kering, speaking after the debate organised by CNMI, in which she took part.

There is a change in perception at all levels of the market, one which was clearly highlighted in the survey. Labels
investing in sustainable development are estimated to increase from 20% of the market today to 85% in 10 years. This factor is currently a purchase driver for 20% of consumers and 25% of department store buyers, but will increase to respectively 90% and 95% in luxury goods purchases in 10 years.

Also, according to the buyers interviewed, now “nearly 70% of consumers are willing to pay a premium for a sustainable product.” And 40% of department stores are now promoting sustainability using dedicated corners, temporary shop-window displays or more direct visual strategies, while 70% of them tap the labels’ storytelling to engage with consumers about sustainable development, chiefly working in partnership with the labels themselves.

As for how sustainable development is perceived in different geographical areas, the survey found that US department stores, with a 33% share, and European ones (32%) are more oriented towards sustainability, followed by those operating in Asia-Pacific (29%) and China (21%).

Italy leads the ranking of the “countries positively associated with sustainability” with 20%, followed by Japan (14%), Germany (13%) and France (10%). China is instead regarded as the country more “negatively associated with sustainability” (25%), followed by India (11%), Pakistan (7%) and Vietnam (7%).

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