



# LESS OF THIS, MORE OF THAT: THE FOCUS ON SUSTAINABILITY

To kick off 2021, fashion label Aday, which is focused on creating sustainable, staple pieces of clothing, invited 600 of its customers to attempt its “Outfit Repeater Challenge.” Aday called on customers to wear outfits they had already purchased from the brand all day, every day, for two weeks straight. The challenge was apparently a hit with the brand’s customers, and as of January an additional 4,000 people were on the waitlist to participate. In recent years, wearing the same clothing numerous times, let alone on consecutive days, has been far from the norm. Americans, on average, buy a piece of clothing every five days and wear an outfit only seven times before throwing it away. According to a 2017 poll, 41 percent of women ages 18 to 25 felt pressure to wear a different outfit every time they went out. Those practices are beginning to be seen as wasteful by that cohort while the value of fewer clothes purchased, fewer resources used and much less waste produced is growing. A recent Nielsen study found that 75 percent of Millennials are actively changing their consumption habits to help the environment, while 80 percent claim they are willing to pay more for socially responsible products. Those high survey numbers, along with increasing sales of secondhand goods and sustainable products, especially among Millennial and Gen-Z consumers, illustrate new consumer priorities and spending intent. To attract those consumers, and to satisfy investors increasingly interested in Environmental, Social and Corporate Governance (ESG) routines, companies are investing in sustainable practices, products and supply chains while attempting to reduce waste. (*Pymnts*, 1/6/21; *Fast Company*, 1/6/21; *Atlantic*, 2/6/21)

**The Original Context** In an early 2019 *Briefing* titled “Less of This, More of That,” we suggested that a significant change in consumer priorities was under way. We wrote, “In the decades following the Second World War, during which time the Dispersed Wealth Grand Narrative held sway, Americans pursued growth at any cost – more clothes, flashy brands, larger houses, bigger profits, more energy, more comfortable cars and on and on. ‘More’ was a mantra, and as a result, costs in terms of personal lives and the environment became substantial. As that Grand Narrative fades into history, new ways of thinking and operating are surfacing, and as a result, a new dynamic has emerged between less and more. An increasing number of individuals and companies are shifting the kinds of things they want **less of** and the kinds of things they want **more of**, and that shift is becoming critical in consumer markets.” Among other examples, we suggested that one of those shifts was an increased focus on creating less waste while spending more money and time on sustainable goods and practices (See [IF 4003](#)).

## New Observations: Gaining Momentum

### Consumer Spending on Secondhand Goods

- The product resale market grew **25 times faster** in 2020 than the overall retail market did in 2019, according to secondhand platform ThredUp. The resale market is now valued at \$28 billion.
- Resale marketplace Poshmark has 30 million active users. Visitors spend an average of 27 minutes a day on the site.

- Between April and July 2020, resale marketplace Vestiaire Collective saw a 144 percent increase in year-over-year order volume.
- Since the pandemic started, Fashionphile, a resale platform that focuses on handbags and accessories, has seen gross merchandise value (the monetary value for merchandise sold through the marketplace) increase 33 percent.
- In fall 2020, thrift and consignment stores ranked number 13 on the list of upper-income teens' favorite brand or retailer in Piper Sandler's semi-annual "Taking Stock with Teens" survey, up from 44 in fall 2019.
- In late 2020, designer Christian Siriano designed the first universal symbol for used clothing on behalf of online secondhand platform ThredUp.

(*Business Insider*, 10/6/20; *Vice*, 9/25/20; *Women's Wear Daily*, 12/9/20; *Pymnts*, 1/13/21; *Fast Company*, 1/19/21; *Glossy*, 1/25/21)

## **Consumer Spending on Environmentally Friendly Foods and Beverages**

- From January through October 3, 2020, dollar sales of oat milk increased 212 percent over the same time period the previous year, posting the largest increase of any food item compared to 2019. The production of oat milk results in 80 percent lower greenhouse gas emissions, 60 percent less energy use and 80 percent less land use than the production of cow's milk, according to a Life-cycle assessment (LCA) study.
- Between January and October 2020, sales of fresh plant-based meat alternatives doubled almost every month, according to Nielsen.

(*Food Dive*, 10/13/20 and 11/16/20)

## **Investors and Financial Markets Move Toward Sustainability**

- In September, Adidas issued a €500 million bond with the proceeds to be used to obtain recycled materials and invest in renewable energy. The bond was five times oversubscribed.
- Bank of America is issuing a \$2 billion "equality, progress and sustainability" bond designed to advance racial equality, economic opportunity and environmental sustainability. It is the first offering of its kind in the financial services industry.
- Approximately 90 percent of the largest 500 companies by market cap in the Russell 1000 Index are now publishing sustainability reports, according to a November 2020 report by the Governance & Accountability Institute.
- In November, pension and insurance company Scottish Widows said it will divest nearly half a billion dollars from companies that fail to meet its new ESG standards.

(*Environment and Energy Leader*, 9/29/20; *GreenBiz*, 11/3/20; *Financial Times*, 11/8/20; *Women's Wear Daily*, 12/29/20)

## **Corporations and Coalitions Respond to the Growing Sustainability Market**

- In October, Hive Brands launched an e-commerce site for sustainable, eco-friendly items. The retailer buys items from more than 100 manufacturers. All products must meet the company's "Hive Five" criteria, including ingredient integrity, recyclable packaging, low-carbon footprint, commitment to social good and a "rave worthy"

product. Hive Brands claims it uses 100 percent recyclable materials, and the company uses carbon offsets to make shipping 100 percent carbon neutral.

- The Mission Brand Alliance is a coalition of 20 retail brands that are working together to share best practices, educate consumers and market themselves. The brands are evaluated based on environmental action, fair trade, fair labor practices, life-cycle loop (products that circulate within society for as long as possible, with maximum usability, minimum adverse environmental impacts and minimum waste generation), plastic-free options or plastic upcycling, responsible manufacturing, sustainable product materials and sustainable shipping practices.
- On February 28, Target will debut a new limited-edition line called Levi's for Target. The collaboration will offer more claims of sustainability, such as recycled glass, Fair Trade USA and FSC Wood certifications, than any past Target limited-time-only design collaboration.
- In late December, Adidas said that in 2021, for the first time, more than 60 percent of the brand's products will be made from sustainable materials. Adidas has also reduced its carbon footprint by more than 50 percent in the past five years.
- Evian spring water has added new bottles made from 100 percent recycled plastic. An average of 40 percent of the brand's product portfolio is currently made from 100 percent recycled plastic. The company has a goal of becoming fully circular (meaning all aspects of its packaging can be recycled and reused) by 2025.

*(Environment and Energy Leader, 9/28/20; Retail Dive, 12/7/20; Women's Wear Daily, 12/29/20; Pymnts, 1/6/21; Chain Store Age, 1/26/21)*

## **Food Producers Embrace Sustainable Practices**

- General Mills has promised to advance regenerative agriculture practices – techniques that can capture and store carbon in the soil – on one million acres of farmland by 2030. Annie's, part of General Mills, signed a strategic agreement with investment firm Sixth Street, which owns Gunsmoke Farms, an organic farm with regenerative practices.
- Start-up Planet FWD recently launched a cracker brand called Moonshot, made of ingredients that are grown regeneratively. The company also utilizes carbon neutral shipping practices.
- Cascadian Farms launched a cereal made with a grain called Kernza, a perennial crop that is well suited to sequestering carbon.
- Patagonia Provisions, a food brand from the outdoor retailer, launched a beer made using Kernza.
- Over the past year, the number of meat companies committing to "science-based" targets on emissions reductions has increased from two to seven. About a quarter of the companies are reporting "scope 3" emissions, which cover their own emissions as well as that of their supply chains.
- In December, Singaporean food authorities became the first in the world to give regulatory approval to "cultured chicken."
- Cargill has invested in both cultured meats and a pea protein start-up, which supplies its product to plant-based food makers.

*(Fast Company, 11/20 and 12/10/20; Financial Times, 1/7/21)*

## **Building Circularity**

- In 2020, Senator Tom Udall (D-NM) introduced a bill that would make companies pay to collect and process waste. Several states, including New York, Massachusetts and Washington, have proposed similar bills or are considering similar measures. The Consumer Brands Association and Ameripen, a lobbying group for packaging companies, say they will support per-item fees on packaging, provided the money is used to improve recycling.
- The proportion of major household appliances that ceased working within five years of being purchased rose from 3.5 percent in 2004 to 8.3 percent in 2012. In recent years, more than 20 statehouses nationwide have introduced right-to-repair legislation.
- Dell has set a goal of 2030 for the “circularity” of its products. The hardware company is going to redesign all its hardware so that it lasts longer, and when it no longer works, can be reused or recycled.
- Fashionphile recently launched a new program in which it will buy any handbag previously purchased from one of its competitors for 70 percent of the original resale price. Fashionphile will then resell those pieces.

(*Wall Street Journal*, 12/7/20; *Fast Company*, 12/9/20, *New York Times*, 1/27/21)

## **The Big Picture – Rethinking Growth**

Society is transitioning from a grand narrative that favored growth at any cost to a grand narrative that favors less waste and more sustainability. With a seemingly infinite choice of brands, products and services, consumers increasingly have the option to choose those offerings that align with their sustainability preferences. To meet customer desires, companies, either on their own or with investor and government prodding, are offering greater transparency and improving their sustainability practices related to their products and supply chains. The process and progress will be slow, but the focus on sustainability will continue to grow.

### **Implications**

- Consumers will be willing to spend more for sustainability practices and sustainable products, both personal, societal and environmental.
- The “circular economy” gains momentum.
- Repair services thrive.
- The sustainable packaging market will grow.
- Thrift, consignment and secondhand marketplaces will continue to thrive.
- “Fast fashion” as a retail strategy stalls.
- Heritage fashion becomes popular – again.
- Market share for foods and beverages that are seen as doing less environmental damage will grow.
- Some consumers will choose to evaluate a company’s position on social issues when deciding among many product offerings. Companies with transparent sustainability practices will have a competitive advantage in the marketplace.
- The market for sustainability bonds will grow.
- The ESG investment market will grow significantly.
- Food items that use less water and produce less waste will continue to appeal.