

SUSTAINABILITY

Of 10-point scale, luxury brands average 2.99 score on 2023 Circular Fashion Index: Kearney

June 1, 2023



By many measures, eco-friendly initiatives are largely ineffective if consumers lack an understanding of why they should partake, experts say. Image credit: Bain & Co./Getty Images

By AMIRAH KEATON

A new study reveals that consumers remain in the dark about best practices for sustainable fashion consumption.

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Global management consulting firm Kearney is out with the **2023 Circular Fashion Index (CFX)** study – the third-edition exercise measures the global fashion industry's progress in extending the life cycle of its products and materials. Of the 200 global fashion names analyzed, this year's average CFX score across all apparel segments sits at 2.97 out of 10 possible points.

"Consistent with our 2022 results, brands are not extensively activating any of the seven circularity levers; rather, all are operating in the 2 to 6 percent range," said Brian Ehrig, report coauthor and partner at **Kearney**, in a statement.

"Beyond this, they are failing to educate consumers not only about the importance of sustainability, but about actions such as recycling, upcycling, and renting apparel," Mr. Ehrig said. "More than a third of consumers remain unaware of these options.

"There is so much more to do, and brands can be upping their game."

For the report, experts employed proprietary analysis, weighing the use of recycled fabrics most heavily, followed by factors such as availability of repair/maintenance, secondhand sales, rental services and reuse of returned clothes as raw material or for donations in one aspect of research. According to Kearney, CFX has expanded to include 200 global fashion brands from 20 countries including America, France and Italy over six apparel segments: sports and outdoor, underwear and lingerie, luxury, premium/affordable luxury, mass market and fast fashion.

Luxury climbs CFX Index

The 41 luxury brands included as part of this year's study delivered an average score of 2.99 on a scale of 1 to 10, landing slightly above average with help from the extensive availability of repair services amid the high-end sector.

Overall, of the 200 brands considered, only 19 achieved a score of at least 5 out of 10 on the 2023 CFX Index.

Coauthors point out that, at the moment, no brand is "activating extensively" in any of the seven circular levers examined. That being said, some luxury entities are faring better than others.

Figure 6
None of the seven circularity levers is activated extensively by the brands

		Extensive (10-8)	Moderate (7-3)	Limited (2-1)
Primary market	The share of garments made of recycled fabrics	2%	65%	33%
	The importance of circularity in brand communications	6%	49%	45%
	The level of detail and accessibility of care instructions	5%	67%	29%
	The availability of repair or maintenance service	4%	22%	74%
Secondary market	The breadth and depth of pre-owned garment assortment	5%	27%	68%
	The breadth and depth of garment rental or leasing assortment	3%	7%	90%
	The availability of worn clothes drop-off for recycling	5%	33%	62%

Source: Kearney analysis

Image credit: Keamey

While mass market and premium companies occupy all but one of the top spots, Italian fashion label Gucci is the only luxury player ranked within the top 10 performers this cycle, taking fifth place, having moved up one from last year's Index.

Of the more than 80 percent of brands hailing from the U.S., France, Italy, India, Germany, and the U.K., French brands hold the highest average scores this year. The country leads in its share of recycled fabrics Italy is a close second in this area.

Names such as British fashion house Alexander McQueen, German fashion house Hugo Boss and Italian fashion company Moncler ranked among the Index's top quartile, with English brands outperforming in providing end-of-life solutions for worn clothes.

German companies alternatively came out on top for their communication around longevity and inspiration for multiple usages. While no luxury company can claim one of the top three spots this year, Fashion Pact signees (see story) noticeably front CFX's top quartile.

Figure 8
Most of the best practices identified have been implemented by the top brands

1	Recycled materials	Patagonia Uses high share of recycled materials (for example, 36 percent of cotton and 90 percent of nylon).
2	Promotion and communication	Patagonia Rates its products on a 10-point scale based on reparability, durability, and functionality to drive areas of redesign for environmental impact.
3	Care instructions	Mammut Provides detailed, material-specific instructions as well as product-specific instructions aimed at extending garment life cycle.
4	Repair/maintenance service	Levi's Extends the life of its denim through its Levi's Tailor Shops and DIY content.
5	Pre-owned assortment	The North Face Offers extensive pre-owned assortment via The North Face Renewed web shop.
6	Rental/leasing models	TWINSET Launched PLEASEDONOTBUY program to provide exclusive rental dresses.
7	Drop-off for reuse/charity	Madewell "It's our goal to keep old jeans out of the trash and in circulation." Through Madewell Forever, consumers can resell or recycle old denim in exchange for store credits and free labels.

Golden Goose launched the Forward Store concept where the brand promotes a circular initiative to repair, remake, resell, and recycle worn shoes.

Source: Kearney analysis

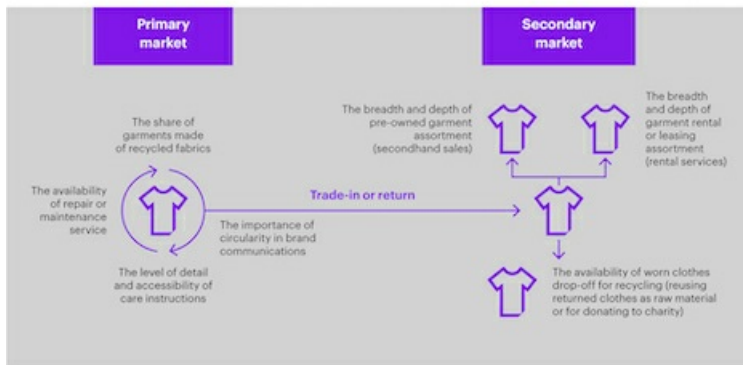
Image credit: Keamey

Kearney purports that though ESG-related performances are poor across the board the firm states that "should be no excuse for brands doing as little as our 2023 CFX shows" scores have improved slightly since last year.

Issue areas expanded upon by experts take heed of both primary and secondary markets, with efforts in the latter department landing luxury names a bit further behind.

With an exception for the availability of repair or maintenance services, luxury brands offer more primary market options than secondary, with examples including detailed care instruction listings and increasing the use of recycled materials.

Figure 4
The Circular Fashion Index measures fashion brands' efforts to extend the life cycle of their products and materials



Source: Kearney analysis

Image credit: Keamey

On the subject of communicating the importance of circular practices to consumers, mass-market names, luxury brands and all companies in between are falling flat. By many measures, eco-friendly initiatives are virtually ineffective if clients do not understand why they should, and thus do not, partake.

Separately, while resale remains one of the secondary market's most popular channels, Kearney observes a lack of investment in rental services across the board, citing suspicions of a "higher complexity of implementation" as the culprit.

"Brands are still showing low scores across geographies and market segments," said Dario Minutella, report co-author and principal at Kearney, in a statement.

"Only 19 of the 200 global brands we looked at scored above 5 out of 10, and only the top three scored above 7 in any areas," Mr. Minutella said. "This year's CFX shows that concrete action is required to close the gap and move the industry toward greater sustainability and circularity."

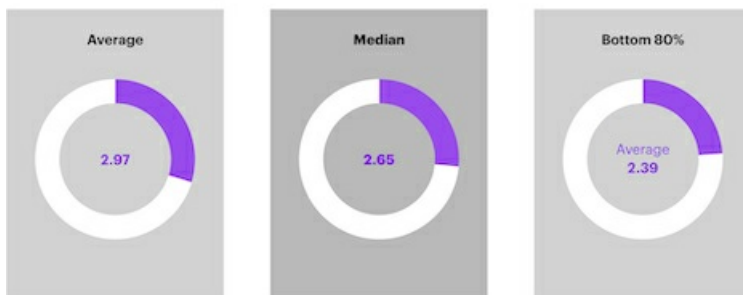
Nature vs. nurture

Of those concrete actions referenced, consumer education, forecasting with better precision and designing with the garment's second life in mind float to the top.

Tactics such as incentivizing in-store drop-offs here, luxury's peers are excelling (see story) and introducing stronger technological models for predicting demand (see story) have both shown promising waste reduction potential. Kearney's report informs readers that unsold stock can account for as much as 30 percent of production volume.

Figure 5
The fashion industry still scores poorly in the 2023 Circular Fashion Index

Overall results of the CFX ranking



Source: Kearney analysis

Image credit: Keamey

Traditionally, deadstock leftovers are, best-case, relegated to off-price channels such as outlet malls. Many brands remain resistant to these options, however, fearful that their image may take a hit at the expense of discounted apparel and accessories circulating in the market.

Worst case scenario, post-consumer products are flat-out destroyed in an effort to maintain exclusivity by controlling for the number of designer options available from each brand at any one given point in time, with severe tolls imparted onto the environment.

In terms of best-in-class titles, this year's went to American outdoor clothing retailer Patagonia, U.S.-based denim brand Levi's and American outdoor recreation products company The North Face, the Index's highest three performers. Interestingly, of all sectors, the outdoor segment held the highest scores, as those immersed in nature continue to consume responsibly.

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