LUXURY DAILY

The News and Intelligence You Need on Luxury

COLUMNS

ESG and fashion: no US consumer buy-in

November 20, 2023

Rania V. Sedhom is managing partner at Sedhom Law Group

By A LUXURY DAILY COLUMNIST

ESG is at the forefront of conversation and policy, affecting everything from food shopping to investments.

While the fashion industry is poised to take ESG into regard - there are several laws throughout EU, the U.S. and elsewhere "greenwashing" is what is making headway. Greenwashing is a term that has various definitions.

For the purposes of this article, greenwashing occurs when a brand expends energy (pun intended!) on advertising ESG protocols without necessarily following them, at least not to the extent expressed in marketing.

Greenwashing is deceptive. However, consumer sentiment has not caught up with laws like NY's Fashion Act which would obligate retailers doing business in NY and garnering annual global revenues of at least $100 million to disclose environmental and social due diligence policies related to supply chains, environmental impact, impact reduction and vendor due diligence.

I've read several comments that brands are compelled to integrate ESG into their core business operations to maintain and increase their consumer base. However, that supposition cannot be true.

U.S. consumers may state they care about ESG in fashion, but their behaviors are antithetical to their assertions. This statement may seem controversial but when examined in light of consumer spending habits in fashion, there is no controversy.

One of the principles of ESG is for a company to act ethically and part of the ethics is to pay its employees fairly.

The definition of fair wages changes with geography and culture, the desire to be able to pay for oneself and one's family's basic needs is universal. Consumers often discuss how important it is to them that employees who work for a brand are treated well and paid fairly.

However, it is close to impossible for someone who is making a top that is sold at a price point that lags behind the cost of labor used to produce it to be paid "fairly" or to work 40 hours or less in one week. That top has to be manufactured, imported, delivered, inspected, stocked and sold, and the brand needs to make a profit after selling it.

Further, many fast fashion companies use microplastics in clothing, consume copious amounts of water in the manufacturing process and fill up landfills. When consumers make purchases from companies that greenwash in this way, they are subliminally signaling that ESG in fashion is not a priority.

Further evidence of no consumer buy-in is exhibited by the quick rise and fall of sustainability company Olive.

The startup sought to eliminate waste from online shopping by establishing a circular economy that delivers clothing and accessory orders in waste-free, reusable packaging. Interestingly, when "delivery by Olive" was not a default shipping method during online checkout, consumers selected it less than 20 percent of the time.

It is uncertain when consumer sentiment re ESG in fashion will align with the consumer's intent.

© 2023 Reliance Relocation Services, Inc. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your feedback is welcome.