

APPAREL AND ACCESSORIES

Will sustainability thrive in the midst of the COVID-19 coronavirus?

June 9, 2020



Mark Burstein is president of NGC Software

By **Mark Burstein**

Just last year, before the COVID-19 coronavirus fundamentally changed the retail environment, **more than two-thirds of Americans** considered sustainability when making a purchase. They were even willing to pay more for sustainable products.

Since then, much of the world has changed, and so has consumer behavior.

Is sustainability still a priority for consumers?

Will a focus on cleanliness and social distancing alter the way retailers and shoppers think about sustainability?

While answers to these questions are not readily apparent, data and anecdotal evidence implies that sustainable brands and luxury brands will fare better than their counterparts after the pandemic.

Sustainable brands tend to be smaller, nimbler, work on higher margins and have a better direct-to-consumer model than many established brands, whose primary channel is bricks and mortar.

What is the current landscape that sustainable brands are addressing?

While **ecommerce sales are increasing** in many categories, for most brands this rise is not enough to offset the revenue loss in other distribution channels.

The exception to this trend is digitally native brands, which have always relied on ecommerce as their primary income stream.

Athleisure brands are also performing better during this period as consumers spend more time working or relaxing at home, in comparison to event-based product lines such as dresses and bridal gowns that are suffering greatly.

As for luxury, the verdict is mixed.

When mainland China reopened, the demand for luxury goods was sustained, **driving nearly 100 percent** of all sales for the industry.

However, this resurgence alone cannot make up for a loss of revenue in sales abroad.

In the first quarter of 2020, Bain & Company predicted that global **luxury sales will suffer a year-over-year decline** of

25 percent to 30 percent.

What are some of the challenges sustainable brands face?

Given the difficult landscape, sustainable brands face several challenges:

- **Cash flow:** Many sustainable brands have been in high-growth mode and may not have the liquidity to survive an extended shutdown period. However, if these brands have performed successfully and profitably, they should not have a problem finding investment.
- **Sourcing:** We are guaranteed to see a very different landscape upon reopening. As of early April, Bangladesh had already seen **one-quarter of garment workers furloughed** due to lack of production orders. It is a similar situation in Vietnam, China, Cambodia and many other countries that export fashion to Western countries. However, sustainable brands that work with more specialized vendors may see less of an impact to their supply chains. In addition, brands with a diversified supply chain prior to the onset of COVID-19 will fare better than those that do not have visibility to make immediate shifts in their manufacturing.
- **Stay-at-home:** Stay-at-home orders and store closures accelerate the pace at which all brands need to embrace a fully functioning digital presence, and sustainability is no exception.

How are consumers responding to sustainable brands?

Millennials and Gen Z continue to be attracted to sustainable brands and willing to pay more for sustainable fashion.

By 2035, Gen Z will account for **40 percent of luxury purchases** worldwide, so its preferences will inspire present and future trends.

In response to **COVID-19, Gen Z is now fixated on transparency**, consistency and authentic attempts to lead societal change.

Sustainable brands that disclose their policies and commitments on environmental and social issues will gain this generation's trust more readily.

How will sustainable brands fare through the pandemic?

No brands are exempt from the structural shifts our society is facing presently.

The implications of COVID-19 are far from over. But sustainable brands that monitor the crisis, support customers and adapt to the new reality likely will succeed.

IN THE END, there is a lot of opportunity to use creativity to rethink production, showing a true test of strength in response to a challenge.

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