

The Future of Luxury Retail

Why the circular
economy matters for
luxury fashion retailers

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As part of this Future of Luxury Retail series, we spoke to three experts – including futurist Howard Saunders, fashion psychologist Shakaila Forbes-Bell, and a biologist and environmental retail consultant, Dr. Helen Crowley – to understand why the circular economy matters to the luxury retail industry.



The future that Millennials and Gen Z will bring is circular.

The big picture: There is a growing appetite for sustainable options in all kinds of purchases. Increasingly, when there's an opportunity to say something by conscious consumption, people want to signal care for the environment.

By-the-numbers: Five years' worth of analysis from Nielsen in collaboration with McKinsey fed into a pivotal report.¹ The 2023 report found most of brands (of 44,000 analysed) grew faster when they signalled their sustainability credentials.

The generational gap: While sustainable choices in purchases is a growing trend, it does skew towards Gen Z and Millennials from a generational point of view. Looking at apparel,² each generation accounts for roughly a third of the total market value (respectively).

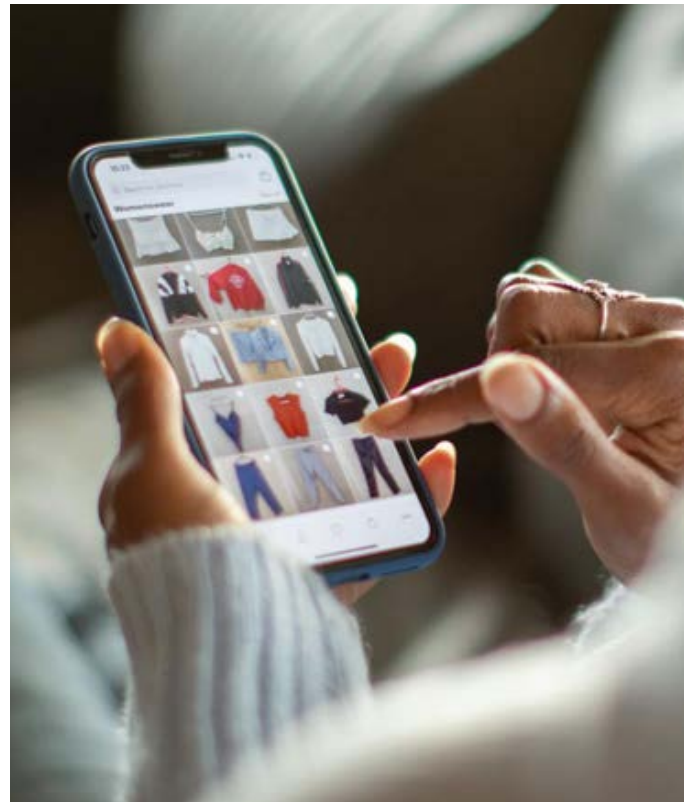
Circular chic: While second-hand clothing is not a new phenomenon, the popularity of apps like DePop and Vinted indicate its trendiness. (Vinted alone now has more than 8m subscribers in the UK).³ Part of this trend includes reusing old material in new garments – completing the circle in the 'circular' economy – and even Gucci is making jeans with scrap denim. While a lot of this tendency towards thrifted wares that feel one-of-a-kind is born out of care for the environment, there is also a nostalgia for 90s fashion fuelling its popularity.

The expert consult: Shakaila Forbes-Bell, a renowned fashion psychologist and best-selling author of the book *Big Dress Energy*. She regularly contributes at *The Times*, *i-D*, *Grazia*, *This Morning* and *Marie Claire*.

Why it matters to luxury brands: Shakaila says that getting ahead of this preference now is necessary preparation.

“By 2035, Gen Z are going to be making up 40% of all luxury purchases. And brands need to be aware of this,” says Shakaila.

“They need to find ways to help these consumers marry their offline and online worlds. And they're using technology to be able to integrate that, so they can create more meaningful shopping experiences.”



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¹Balchandani, A., Barrelet, D., Berg, A., D'Auria, G., Rölken, F., & Starzynska, E. (2023). *The State of Fashion 2024: Finding pockets of growth as uncertainty reigns*. In McKinsey & Company. <https://www.mckinsey.com/industries/retail/our-insights/state-of-fashion>

²UK: sustainable apparel market share by age 2022 | Statista. (2023, July 4). Statista. <https://www.statista.com/statistics/1276262/market-share-of-sustainable-apparel-in-the-uk-by-generation/>

³McFarlane, B. D. J. & S. (2023, June 11). “Selling second-hand clothes online became my full-time job.” BBC News. <https://www.bbc.co.uk/news/business-65854595>

New environmental regulations are on the horizon in Europe.

The main takeaway: The push towards a circular economy is coming from two directions. If the first is consumer preferences, the second is new regulations in Europe.⁴ In the EU, there are new reporting requirements for corporations, some of which are aimed at abating sustainability concerns, and some of which will impact the luxury fashion industry directly.

Corporate Sustainability Reporting Directive (CSRD): One example of new regulation with consequences for luxury retail is the European Commission's CSRD, which came into effect last year. It is designed to expand the reporting requirements for large companies on "the impact of their activities on people and the environment."

A focus on big companies: While the European Commission website says that small-to-medium businesses will not be affected by these new rules, some companies with 5,000 or more employees could be affected. For all companies affected, gaining full visibility on supply chains – enough to report specific data to the government on an ongoing basis – will be challenging.

Traceability and transparency: Traceability is another area of focus for these new European regulations. The vision is to include full supply chain visibility for the manufacture of all goods. This will be difficult for some companies to adopt, as it implies an understanding of all their supplier and subcontractors ESG behaviours.

The expert consult: Dr. Crowley is a former field biologist who now works as the Managing Director at Pollination. At Pollination, she delivers pioneering and impact-led sustainability solutions. Dr. Crowley was formerly the Head of Sustainable Sourcing Innovation at Kering, a French consultancy, where she advised luxury brands (such as Yves Saint Laurent) on sustainable practices.

New accountability for luxury: Dr. Crowley acknowledges the new regulations might be daunting for luxury retail brands.

"They're going to have to do this in the next year," she says. "The European regulations are really pushing companies to understand their supply chains, to be accountable for the footprint of products, to be able to show that they are not wasting product and burning product at the end of life, that there is an efficiency in the supply chains and reporting out on that. It's quite demanding and daunting and, at the same time, exciting, I'm sure, for a lot of companies."

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Divining a circular future for luxury retail.

The upshot: Dr. Crowley is quick to point out that this kind of regulatory pressure often sparks new ways of thinking, and that we should welcome these breakthroughs, which are most often enabled by digital technology.

“Regulation... sparks creativity, sparks innovation. And I think a lot of the innovation that we’re seeing in this space is coming from addressing that regulation and addressing how do we build a viable, successful business with all those new rules in place.”

A heritage of quality: According to Dr. Crowley, luxury fashion is well suited to answer sustainability concerns because longer-lasting garments are the best retort to fast fashion.

“Luxury stands for high quality. It stands for longevity – and so does nature. In fact, the value proposition of luxury is very closely aligned to what we are trying to do in sustainability. Beautiful materials, beautifully made clothes... [and] supporting craftsmanship and responsible, artful production and manufacture.”

Starting with the raw material: The environmental cost for the same raw material, the same textile, is not always equal, according to Dr. Crowley. Cotton can come from recycled sources, for example, or it can be grown more sustainably in one market, in one part of the world, than another.

“Whether it’s a luxury handbag or whether it’s a car or whether it’s a Mars Bar, for most products, the real footprint – a lot of the negative impact – happens at the raw material, the choice of material you use, the choice of cocoa, the choice of cashmere, how that is raised or grown, and how it is collected.”

The best way to understand this, says Dr. Crowley, is with the right kind of technology to give you all the relevant data points.



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How Adidas is tracking its supply chain: According to Howard Saunders, author and retail futurist, there are some brands already keeping full tabs on every step of the process when making clothing, such as Adidas.

The global sports brand Adidas is one of the first large businesses in the apparel sector to track all of its material at scale by using TrusTrace's digital traceability platform.

By applying the right technology, Adidas “collects all the supply chain data in real-time as the materials flow through the value chain, meaning that the final product has all the data attached to it when it arrives on the market.”

The art of sustainable storytelling: Dr. Crowley says that brands need to remember that the reporting end of sustainability is only half of the picture.

Consumers need to understand the environmental impact of the products that they buy as well, and this understanding is best achieved through compelling stories.

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Questions for luxury brands to ask themselves: While consumer preferences are rapidly leaning towards sustainability, and new European regulations loom, luxury brands should begin the process of answering both by asking themselves a few questions.

“How do you tell a smart, compelling, exciting story about a product or a brand and what it does and what it doesn’t do?” asks Dr. Crowley. “And how can you tell authentic stories and build science-based narratives that are compelling and exciting?”

The future for luxury retail: For more insights on the future of this industry, and how technology will play a role, check out the full series <https://www.verizon.com/business/en-gb/solutions/industry/retail/#the-future-of-luxury-retail>

Learn more about how Verizon can help you explore and adopt the technology that’s reinventing retail at [verizon.com/gb/retail](https://www.verizon.com/gb/retail)



