

Sustainability

Sustainable fashion: Secondhand chic

23 June 2023

Key takeaways

- The fashion industry contributes 10% of global emissions and a fifth of plastic waste. Increasingly, consumers are looking for ways to make sustainable choices to lessen the environmental impact of their buying decisions.
- But inflation remains a headwind for many consumers, and the price premium they are prepared to pay for new, sustainable fashion is limited. Even among Millennials and Gen Z, only 4% of survey respondents were prepared to pay a 20% premium.
- The good news is that a significant reduction in the environmental footprint of clothing can be made by extending its lifespan. And the secondhand market for fashion in the US is growing rapidly, increasing by 24% year-over-year (YoY) in 2022.

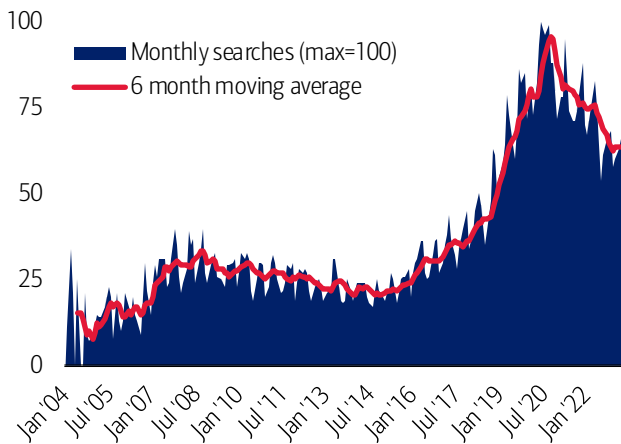
The rise of sustainable fashion

The world of sustainable fashion is rapidly evolving, with increasing attention being given to the environmental and social aspects of the industry. According to the United Nations, the fashion industry contributes 10% of global emissions and one-fifth of annual plastic waste. Increasingly, consumers are becoming aware that their fashion buying choices have environmental implications and are seeking sustainable options.

When measured by Google searches, BofA Global Research finds that interest in sustainable fashion is 50% higher than it was five years ago, but peaked in late 2020 (Exhibit 1).

Exhibit 1: Searches for sustainable fashion peaked in late 2020, but are still up nearly 50% vs 2018

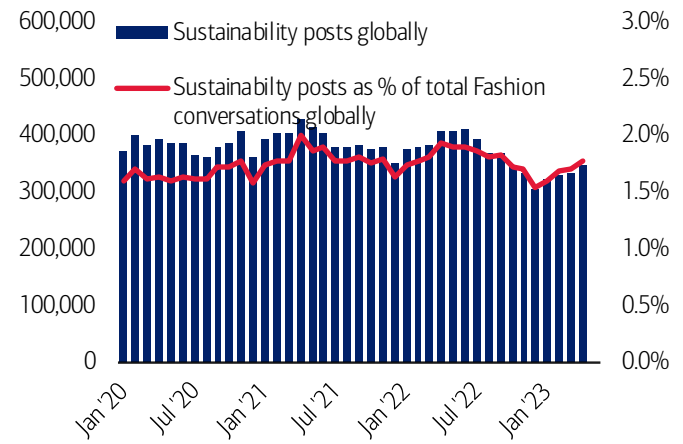
Worldwide monthly Google searches for the sustainable fashion topic (includes any related terms), 1/2004-5/2023; max=100



Source: Google Trend (<https://www.google.com/trends>), BofA US ESG Research

Exhibit 2: Total number of Instagram posts mentioning sustainability in Fashion conversations has been stable with ~380K posts globally

Total number of Fashion posts mentioning sustainability on Instagram globally, 1/2020-4/2023

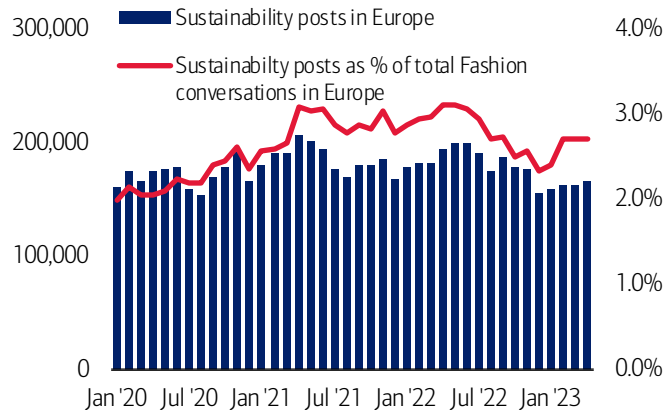


Source: Social Standards, BofA Global Research

On social media platforms, interest in sustainable fashion has remained fairly steady over the last three years. According to data from Social Standards, the total number of Instagram posts mentioning sustainability in fashion has been relatively stable with ~380K monthly posts globally since 2020 (Exhibit 2). The discussion around sustainability in fashion has increased compared to 2020 in Europe (Exhibit 3); however, it has declined in the US (Exhibit 4).

Exhibit 3: In Europe, sustainability mentions as a % of total fashion conversation are above 2020 levels

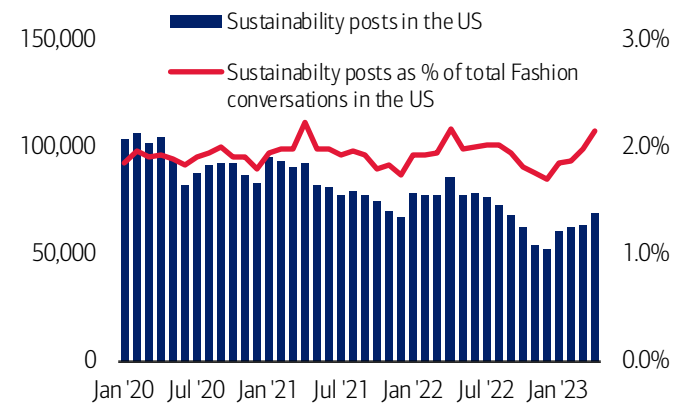
Total number of fashion posts discussing sustainability on Instagram in Europe, 1/2020-4/2023



Source: Social Standards, BofA Global Research. *Sustainability as a topic is defined by the vendor those captions which would include various related terms, including but not limited to: sustainable, eco-friendly, recycling, save the planet, reusable, climate change, environmental impact

Exhibit 4: In the US, sustainability mentions in fashion conversation has been stable, while sustainability posts have trended down

Total number of Fashion posts discussing on Instagram in the US, 1/2020-4/2023

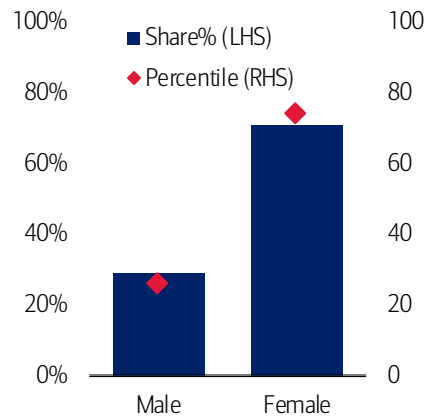


Source: Social Standards, BofA Global Research. *Sustainability as a topic is defined by the vendor those captions which would include various related terms, including but not limited to: sustainable, eco-friendly, recycling, save the planet, reusable, climate change, environmental impact

BofA Global Research also finds that Instagram influencers who are leading the discussion skew towards females, the 30-44 age group, and the high-income bracket (Exhibit 5-Exhibit 7).

Exhibit 5: 71% of those who talk about sustainability in fashion are female

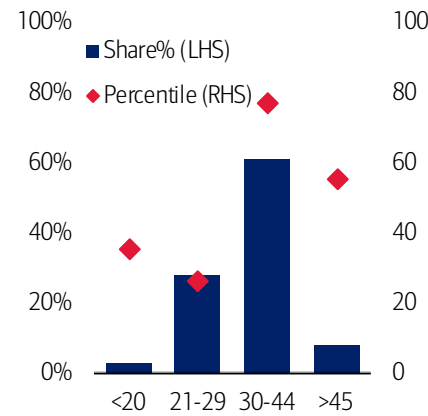
Sustainability in fashion conversations on Instagram by gender (for the three months ending April 2023)



Source: BofA Global Research, Social Standards. *Sustainability as a topic is defined by the vendor those captions which would include various related terms, including but not limited to: sustainable, eco-friendly, recycling, save the planet, reusable, climate change, environmental impact

Exhibit 6: 61% of those who talk about sustainability in fashion are aged 30-44

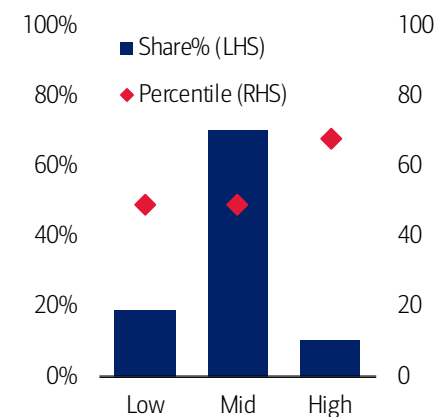
Sustainability fashion conversations on Instagram by age group (for the three months ending April 2023)



Source: BofA Global Research, Social Standards. *Sustainability as a topic is defined by the vendor those captions which would include various related terms, including but not limited to: sustainable, eco-friendly, recycling, save the planet, reusable, climate change, environmental impact

Exhibit 7: 10% of those who talk about sustainability in fashion fall in the higher income category

Sustainability in fashion conversations on Instagram by income group (for the three months ending April 2023)



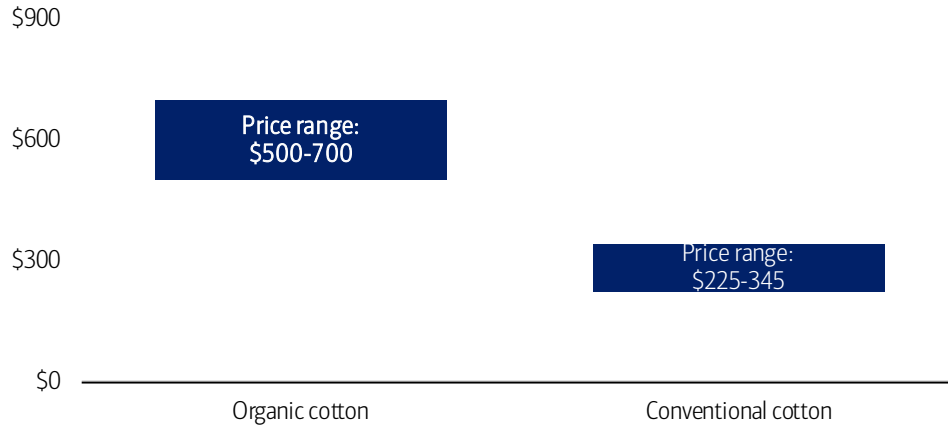
Source: BofA Global Research, Social Standards. *Sustainability as a topic is defined by the vendor those captions which would include various related terms, including but not limited to: sustainable, eco-friendly, recycling, save the planet, reusable, climate change, environmental impact

But there are limits to how much consumers will pay

Sustainable fashion tends to be more expensive to produce for a number of reasons. Sustainable fabrics can be more than two times more expensive than non-sustainable fabrics. Organic cotton is more expensive because the limited use of pesticides drives yields lower and increases the risk of crop failure. Sustainable certifications can also increase raw material costs as they require more rigorous testing and inspection. Further, to prevent overstock or waste, sustainable brands often produce on smaller scales which can be more expensive on a per-item basis.

Exhibit 8: Organic cotton ~2x more expensive than conventional cotton

Organic cottonseed prices per ton vs conventional cottonseed prices per ton



Source: USDA, 2022 Organic Cotton Market Summary

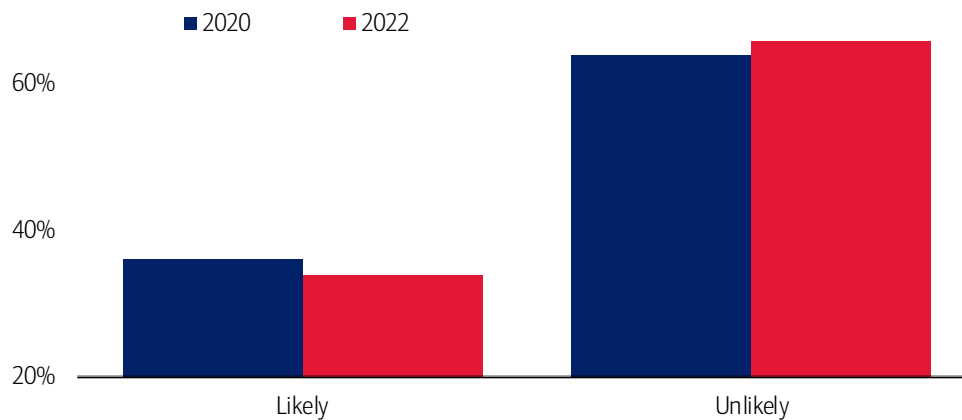
There are also costs associated with prioritizing social factors in the production of fashion, such as paying fair wages to workers and maintaining safe and ethical working conditions. In some garment producing countries, minimum wages may not cover the basic needs of garment workers, implying sustainable production standards may necessitate higher wages.

But with economy-wide inflation being a key headwind facing consumers, the higher prices of sustainable fashion may represent a limiting factor on its demand. A recent CivicScience survey finds relatively few consumers are prepared to pay more for a sustainable fashion item (Exhibit 9). Indeed, between 2020 and 2022 the proportion of consumers willing to pay more for sustainable fashion actually declined, potentially as higher inflation became a more pressing concern. Even when consumers do shop sustainably, they tend to prioritize price over other factors (source: Blue Yonder’s 2023 Consumer Sustainability Survey).

Certain consumers are more willing to make sustainability a priority. Younger consumers and those with higher incomes are more willing to pay a premium for sustainable fashion (source: Bain & Company). That said, the amount they’re willing to pay has a threshold – just 4% of respondents expressed a willingness to pay 20% more for sustainable products (source: Blue Yonder’s 2023 Consumer Sustainability Survey).

Exhibit 9: Inflation at work? A smaller number of consumers were likely to pay a premium for sustainable fashion in 2022 vs 2020

% of respondents that are likely and unlikely to pay more for eco-friendly/sustainable fashion



Source: © CivicScience 2022. 2,115 responses in 2020 and 3,019 responses in 2022. Weighted by U.S. Census 18+*

Secondhand chic: Fashion’s green revolution

While consumers’ priorities around price may somewhat limit the adoption of new sustainable fashion products, there is a growing trend towards re-using and prolonging the life of clothes. And this can make an important contribution to the overall sustainability of the fashion industry. Extending the life of a clothing item by just three months (including by increasing the number of owners) reduces the item’s carbon, water, and waste footprint by 5-10% (source: Waste and Resources Action Program).

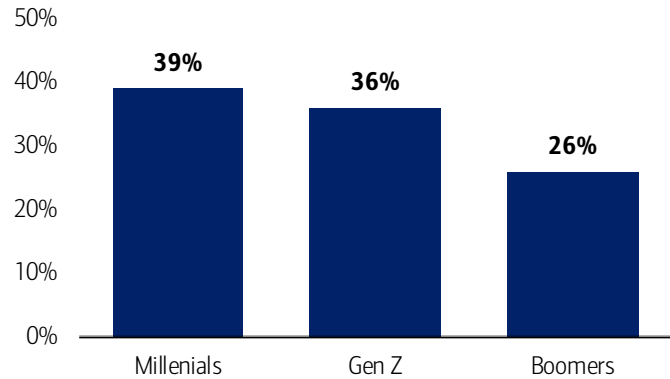
BofA Global Research argues that secondhand clothing, once seen as worn-out and undesirable, is now regarded by many consumers as being of equal or even superior quality compared to new garments. The US secondhand market is expected to grow nine times faster than the broader apparel sector over the next five years, reaching \$70 billion by 2027, according to BofA Global Research.

There is also a growing trend of “fashion flipping,” where consumers buy secondhand clothes and resell them on digital platforms. The market for secondhand apparel grew 24% YoY in 2022, with North America making up over 40% of the market web traffic growth to fashion resale platforms. This outpaced the growth of the broader fashion and apparel market by 11ppt YoY (Exhibit 11).

BofA Global Research finds that on average, pre-loved clothes sell for between 30% and 40% of their original retail price, which allows consumers facing inflation headwinds to save, while also meeting their sustainable choice goals.

Exhibit 10: Younger generations rate sustainability as more important on resale platforms

Percent of respondents who say they continue to value sustainability and environmental benefits when buying pre-loved goods



Source: eBay. (eBay Recommerce Report) Survey of 7,459 buyers in the U.S., U.K., Canada, Germany, France, Italy, Australia, and Japan.

Exhibit 11: Traffic to fashion resale platforms has grown faster than traffic to broader fashion & apparel

YoY change in US web traffic to Fashion & Apparel sites and Fashion Resale sites, 5/2021-5/2023



Source: BofA US ESG Research, SimilarWeb. Fashion Resale category made up of a basket of 5 large resale websites (thredUp, Poshmark, Depop, The RealReal, and Vestiaire Collective).

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