

Boohoo Group PLC

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Will the fast fashion business model ever become outdated?

With most retailers eager to leave 2020 behind them, many fast-fashion designers are in a better shape than they started the year.

By definition, fast-fashion offers trendy clothes at affordable prices, which means it requires a highly responsive supply chain to support a constant change in offer.

To allow such a quick turnaround, designers and suppliers are often accused of unethical practices when it comes to paying factory workers fairly or limiting the environmental impact

"There's a point at which pricing becomes impossible to reach without cutting corners in terms of sustainability and ethics... Some of those good deals, obviously, are not possible to make at those prices," Patrick O'Brien, UK research director at GlobalData, told Proactive.

While budget clothing is essential in times of economic crisis, will the fast-fashion business model survive the increasing environmental, social and corporate governance (ESG) regulations as well as investors' and consumers' growing awareness of the importance of sustainability?

The boohoo example

The scandal around boohoo Group PLC (LON:BOO) that broke out in the summer once again highlighted the human cost of cheap clothing, but paradoxically its interim profits surged by 51% despite the public outcry, as shoppers turned to digital platforms during the pandemic.

Dreaded Black Friday again which is an online only event this year in England. And Boohoo's PrettyLittleThing is doing an "up to 99% off" promo - reducing a pair of trousers to just 15 pence.

Which just feels so very wrong on many levels - cheap labour, disposable fashion etc pic.twitter.com/AoowGEseUL

— Ashley Armstrong (@AArmstrong_says) November 27, 2020

"Shoppers appeared to shrug off boohoo's supply chain scandal, which exposed poor pay and working conditions among factory workers in Leicester," said Susannah Streeter, analyst at Hargreaves Lansdown.

"Although ethical concerns do appear to be growing amongst some consumers, it seems fast-fashion shoppers are still prioritising price over ESG considerations.

"However, amongst investors there is a growing demand for ESG to become a priority, which is likely to be the bigger driver for retailers to root out issues in their supply chains."

Streeter reckons investors will be the ones driving this demand, more so than those consumers who may already be

Price: 326.2

Market Cap: £4.13 billion

1 Year Share Price Graph



Share Information

Code: BOO

Listing: AIM

52 week High Low
433.5 133.1

Sector: Retail

Website: www.boohooplc.com

Company Synopsis:

Boohoo Group PLC is a leading online fashion retail group. Its brands, boohoo, boohooMAN, PrettyLittleThing and Nasty Gal target fashion-conscious 16-24 years olds in the UK and internationally.

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aware of unethical activity but cannot afford mid-market clothes.

Polarisation of consumers

According to Georgina Wilson-Powell, founder and editor of online sustainable living magazine Pebble, society will polarise when it comes to fashion, with some people happy to do their research and spend more for ethical brands, while others will prefer the convenience of fast-fashion brands.

Experts across the board agree that it will take a long time to change consumer behaviour, not only because of personal economic circumstances but also for the reputation brands have built over time.

Associated British Foods PLC's (LON:ABF) Primark is an example here: customers joined massive queues when shops reopened in June after the first lockdown. Because the Irish chain doesn't have an e-commerce platform, people not used to buying online and die-hard fans preferred to wait for shops to reopen rather than go elsewhere.

On the other hand, consumers with a higher budget reconsidered their shopping habits during the pandemic, as indicated by an 83% growth in searches for 'sustainable fashion' between August and October this year.

According to research by Nielsen, 75% of millennials are happy to review their habits to cut their environmental impact, with 90% of this group willing to spend more on products if they were made sustainably.

These trends were reflected in the latest Black Friday period, when figures for fast fashion brands like H&M, ASOS PLC (LON:ASC) and River Island dropped compared to 2019, with more sustainable brands like Prada, Charlotte Tilbury and Dior seeing an improvement, fashion company Walker Slater pointed out.

The power of legislation

Alongside investors and consumers, there is another powerful force to drive, or better yet, impose change.

As Thulsi Narayanasamy, senior labour rights lead at Business & Human Rights Resource Centre, told Proactive, only binding regulation and legislation will make the fast-fashion business model more sustainable.

"Consumer pressure definitely plays a role, but the differences that result from consumer pressure are often on a case-by-case basis," she explained.

"For example, a particular factory in a company's supply chain, having issues that perhaps would get attention in the mainstream media and in social media, and consumers would respond by pressuring the brand to deal with or rectify that particular issue."

In this scenario, the challenge isn't thrown directly at the business model itself, which is more attached to a company's purchasing practices and its relationship with suppliers.

"At the moment in the EU, there are movements for legislation on mandatory human rights due diligence... Brands would have to demonstrate clearly the ways in which they're mitigating the fundamental and structural risks within their supply chain," Narayanasamy continued.

"The hope is that for apparel that this would mean that they have to address their purchasing practices as well. So we're seeing momentum, significant momentum for that happening at the moment in the EU."

Once fashion retailers are forced to pay suppliers and workers fairly, as well as limiting their environmental impact, it's expected that prices will go up because they currently work on very thin margins.

As consumers keep chasing the latest trends, traditional retailers may be challenged by the second-hand and rental clothing markets, but all experts interviewed for this article agree fast-fashion is here to stay, though its outfit as we

know it may have to change.

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