

### A. #FALLING STARS

A new viral challenge that began in China has seen people posting photos of themselves lying face down on the floor, surrounded by their belongings.



Source: <https://www.bbc.co.uk/newsround/45991425>

1. What does the photo tell you about the lifestyle of the woman?
2. What does the #Falling Star craze suggest about Chinese society?

### B. CONSUMPTION IN THE WEST

1. What do you know about consumption in the west?
  - a. How many items are there in the average American home? 100,000 / 200,000 / 300,000
  - b. In 1950 the average American home was 91 square metres. Since then, how much has it increased? threefold / fourfold / fivefold
  - c. How many Americans rent offsite storage? 1 out of 5; 1 out of 8; 1 out of 10
  - d. How many Americans with two-car garages don't have room to park cars inside them? 10% / 15% / 25%
  - e. How much does the average American family spend on clothes per annum? \$1,400 / \$1,700 / \$2,100
  - f. How much of the family budget did clothes account for in 1901? 12% / 14% / 16%
  - g. How much of the family budget did clothes account for in 1950? 12% / 16% / 20%
  - h. How much of the family budget did clothes account for in 2003? 4% / 8% / 12%
  - i. How many outfits did the average American woman own in 1930? Nine / fourteen / twenty-three
  - j. How many outfits does the average American woman own today? 20 / 30 / 50
  - k. How many kilograms of clothes does the average American throw away each year? 20kg / 30kg / 50kg

- l. Which are there more of in the US? Schools / shopping malls
- m. What percentage of teenage girls in the US rank shopping as their favourite pastime? 75% / 82% / 93%
- n. 3.1% of the world's children live in the US. How much of the world's consumption of toys do they account for? 45% / 60% / 75%
- o. In Britain, how many toys does the average 10-year old child have? 142 / 197 / 238
- p. In Portugal in 1985 how many cars per person were there? 1 car for 9 people / 1 car for 5 people / 1 car for 3 people
- q. Today, how many cars per person are there in Portugal? 1 car for 1.5 people / 1 car for 2 people / 1 car for 3 people

**C. EXPLAINING GROWTH IN CONSUMPTION**

1. Describe the information in the graphs (Figures 1-3).
2. How can it be used to explain patterns in the growth of consumption?

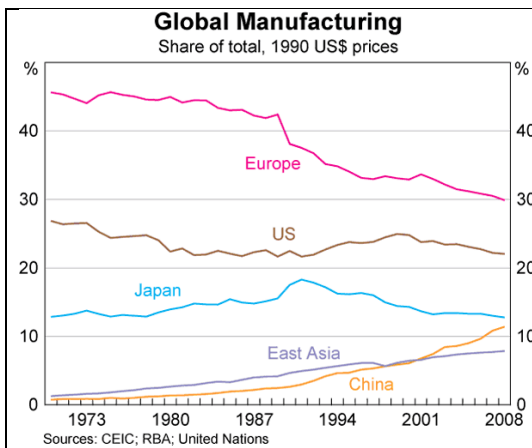


Figure 1. Global Manufacturing by country: 1970-2008  
Source: <https://www.rba.gov.au/publications/bulletin/2010/sep/1.html>

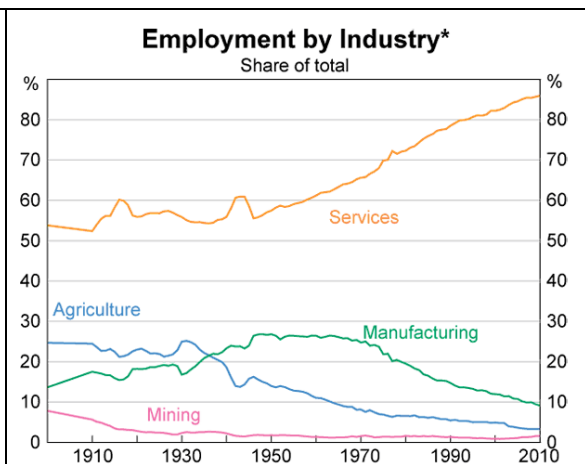


Figure 2. Employment by industry in Australia, 1910-2010  
Source: <https://www.rba.gov.au/publications/bulletin/2010/sep/1.html>

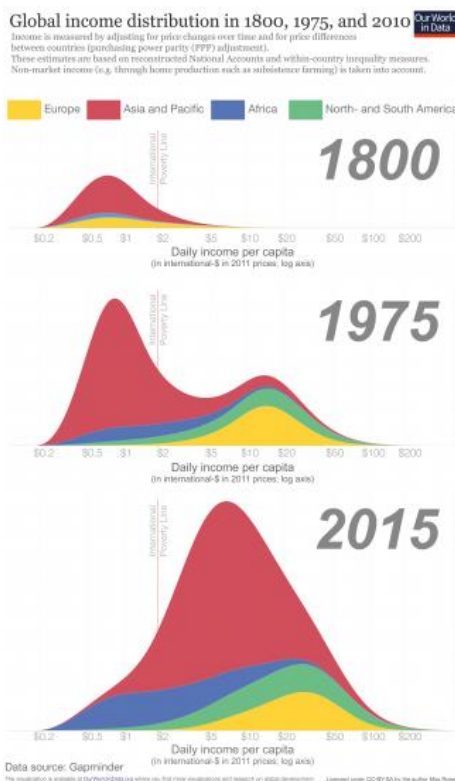


Figure 3. Global inequality in 1800, 1975, and 2015

Source: <https://ourworldindata.org/global-economic-inequality>

### D. CULTURAL CHANGE IN THE US

1. Consider the following quote.

"We must shift America from a needs- to a desires-culture. People must be trained to desire, to want new things, even before the old have been entirely consumed. [...] Man's desires must overshadow his needs."

Paul Mazur, a leading Wall Street banker working for Lehman Brothers in 1927.

How could Paul Mazur's goal be achieved?

### E. CASE STUDY

The following situation is adapted from the case study in *Harvard Business Review*, December, 2014.

Consider how the situation unfolds and how you would react at each point, in light of the story's developments.

1.

You have been taken on as the CEO of a chain of clothing stores that traditionally has sold sensible women's, children's and men's clothing. The company has stores in many different countries in Europe, but they are not doing well because the women who shop there only buy the clothes when they are on sale or marked down in price.

Do you decide to

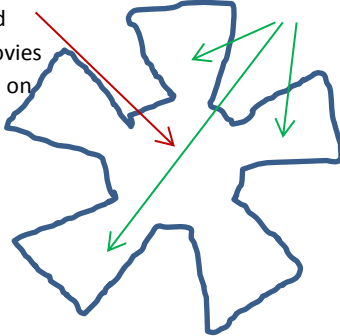
- a) continue to target the existing market (frugal, middle-aged women as customers shopping for sensible clothes for the family);
- b) extend the customer market the clothes to people of all ages;
- c) target young people?

Why?

2.

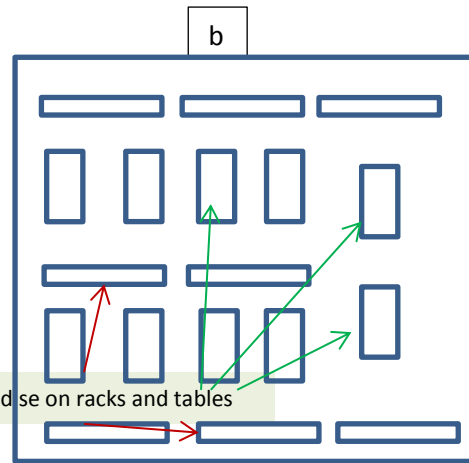
You are designing a new floor plan for the all the shops. Which floor plan do you choose? Why?

Central lobby with space to listen to live music and watch movies projected on walls

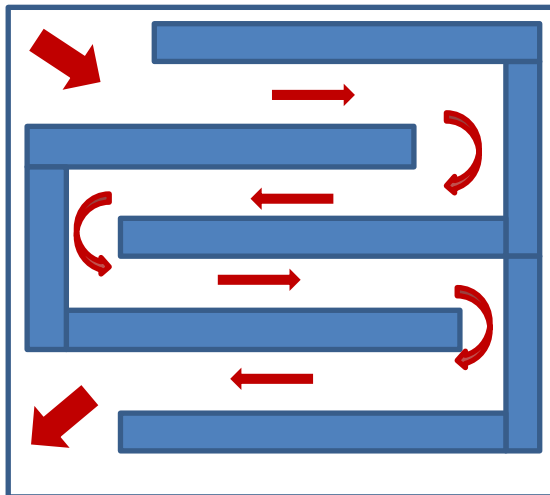


a.

Stalls and pushcarts displaying merchandise on radiating "streets"



Merchandise on racks and tables



c.

A one-way system so that shoppers pass by all the merchandise

3.

Having chosen the floorplan, you now need to choose the pricing strategy that all the shops will follow. What do you choose? Why?

- Everyday low prices, no discounts or sales and no advertising.
- High markups with weekend discounts and end of season sales.
- High markups, advertising on scrolling panels around the city, distributing flyers with discount coupons and end of season sales.

4.

Having convinced the board of directors about potential of the target market, the floorplan and pricing strategy, do you

- a. carry out some market research to see how the target market would react?
- b. experiment with the merchandise and pricing strategy in one or two sections of the existing stores for a period of 6 months?
- c. immediately begin renovating stores and implementing the new pricing strategy?

5.

One year after you introduced your strategy, sales are falling steadily. The board of directors is pressuring you to change the pricing strategy. What do you do? Why?

**F. WHERE ARE WE GOING AND HOW DID WE GET HERE?**

- 1. Classify the vocabulary items into the appropriate column according to their meaning.

incinerator	garbage	trash	landfill	to dump	waste
to burn	to throw away/out			to incinerate	to shred

method of disposal	place of disposal	waste

- 2. In each of the following texts (pp 6-9), two sentences do not belong to the text. They come from one of the other articles.
- 3. Read your article. Identify the two sentences that do not belong to the text (the aliens). Underline them.
- 4. Take notes in the margins so that you can retell the information in your article. Ignore the aliens.
- 5. Using your notes, recount the information in your article. Ignore the aliens. As you listen to the other students' recounts, decide if one of your alien sentences belongs in their texts.
- 6. As a group, without showing your articles or the alien sentences, return the aliens to their original article (ET go home). (DO IT BY TALKING!)
- 7. As a group organise the information into a visual format that relates to 'A consumer society'.

F. Student 1

**When Will We Hit Peak Garbage? (part 1)**

By Joseph Stromberg

SMITHSONIAN.COM

OCTOBER 30, 2013

In 2013, if you're someone who cares about the environment, your first and foremost concern is probably climate change. After that, you might worry about things like radioactive contamination, collapsing honeybee colonies and endangered ecosystems, among other contemporary environmental perils that fill recent news headlines. But a number of researchers in the field are focused on a problem that has faded out of the news cycle: the piles of garbage that are growing around the world.

A recent World Bank report projected that the amount of solid waste generated globally will nearly double by the year 2025, going from 3.5 million tons to 6 million tons per day. But the truly concerning part is that these figures will only keep growing for the foreseeable future. We likely won't hit peak garbage—the moment when our global trash production hits its highest rate, then levels off—until sometime after the year 2100, the projection indicates, when we produce 11 million tons of trash per day.

Why does this matter? The trend has also been criticized on intellectual property grounds, with some designers alleging that their designs have been illegally mass-produced by retailers. Millions of plastic fragments flooding the world's oceans and disrupting marine ecosystems, and plenty of trash in developing countries is either burned in incinerators that generate air pollution or dumped recklessly in urban environments. Even if we sealed all our waste in sanitary landfills, however, there'd be a much bigger problem with our growing piles of garbage—all the industrial activities and consumption that they represent.

"Honestly, I don't see waste disposal as a huge environmental problem in itself," explains Daniel Hoornweg, one of the authors of the World Bank report and a professor at the University of Ontario, who authored an article on peak garbage published today in *Nature*. "But it's the easiest way to see how the environment is being affected by our lifestyles overall."

The quantity of garbage we generate reflects the amount of new products we buy, and therefore the energy, resources and upstream waste that are involved in producing those items. Every now and then, though, bits of information will trickle out. "It shows how much of an impact we're having globally, as a species, on the planet as a whole." This is why he and others are concerned about peak garbage and are attempting to project our trash trends decades into the future. To make such estimates, they rely upon projections of population grown along with a number of established trends in waste: People create much more trash when they move to cities (and begin consuming more packaged products) and when they become wealthier (and increase their consumption overall).

<https://www.smithsonianmag.com/science-nature/when-will-we-hit-peak-garbage-7074398/>

F. Student 2

### **When Will We Hit Peak Garbage? (part 2)**

By Joseph Stromberg

SMITHSONIAN.COM

OCTOBER 30, 2013

How can we address our population's growing consumption problem? One of the main things to consider is that it's largely driven by people in the developing world voluntarily moving to cities and improving their standard of living, both signs of economic progress in their own right. But even if these demographic shifts continue, the projected rates of garbage growth aren't entirely inevitable, because there are cultural and policy dimensions to waste production.

**The speed at which fast fashion happens requires such a collaboration, as the need to refine and accelerate supply chain processes is paramount** This is partly because of higher-density living arrangements and higher prices for imported goods, but also because of norms surrounding consumption. In many Japanese municipalities, trash must be disposed in clear bags (to publicly show who isn't bothering to recycle), and recyclables are routinely sorted into dozens of categories, policies driven by the limited amount of space for landfills in the small country.

Creating policies that give incentive to people to produce less waste elsewhere, therefore, could be a way of tackling the problem. **People vowed to boycott Burberry over its wastefulness, while members of Parliament demanded the British government crack down on the practice.** Designing recyclable packaging would be a much less useful solution, for instance, than designing products that don't need to be replaced as often. Even better [...] would be accelerating ongoing increases in education and economic development in the developing world, especially Africa, which would cause urban population growth—and also the amount of trash produced per capita—to level off sooner.

Garbage might seem like a passé environmental issue, but it's a proxy for nearly all the others—so tripling our global rate of garbage production is a particularly bad idea. "The planet is having enough trouble handling the cumulative impacts that we're subjecting it to today," Hoornweg says. "So with this projection, we're basically looking at tripling the total amount of stress that we're putting the planet under."

<https://www.smithsonianmag.com/science-nature/when-will-we-hit-peak-garbage-7074398/>

## F. Student 3

### Fast Fashion

#### **DEFINITION of 'Fast Fashion'**

"Fast fashion" is a term used by fashion retailers to describe inexpensive designs that move quickly from the catwalk to stores to meet new trends. As a result of this trend, the tradition of introducing new fashion lines on a seasonal basis is being challenged. Today, it is not uncommon for fast-fashion retailers to introduce new products multiple times in a single week to stay on-trend.

#### **BREAKING DOWN 'Fast Fashion'**

Fast fashion is made possible by innovations in supply chain management (SCM) among fashion retailers. Its goal is to quickly produce an item that is both cost-efficient and responds to fast-shifting consumer demands. The assumption is that consumers want a high-fashion styled article of clothing at a low price. Fast fashion follows the concept of category management, which more closely links the manufacturer with the consumer in a mutually beneficial relationship. **One reason is that much of this waste isn't handled properly.** There is also considerable pressure to keep costs as low as possible.

From the perspective of retailers, fast fashion is advantageous because the constant introduction of new products encourages customers to make frequent visits to stores. Collections are often based on designs seen at the spring and autumn Fashion Week events. Fast fashion enables mainstream consumers to purchase trendy clothing at an affordable price. The speed at which fast fashion moves tends to help retailers avoid markdowns, which cut into margins. The company does not replenish, but replaces items that sell out with new items. Accordingly, consumers know to purchase an item they like when they see it because it's not likely to be available for long.

Despite the advantages for customers, fast fashion has been criticized on the grounds that it encourages a "throw-away" attitude via the built-in obsolescence of its products. Some contend that such disposable fashion contributes to pollution, poor workmanship and poor working conditions in developing countries. **As a result, Hoornweg says, "solid waste is the canary in the coal mine."**

#### **Fast Fashion Leaders**

Spanish chain Zara (owned by Inditex) is all but synonymous with fast fashion, serving as an exemplar of how to cut the time between design, production and delivery. Other big names in fast fashion include H&M of Sweden, UNIQLO of Japan, GAP and Forever 21 of the United States, and Topshop of England. In addition, more traditional department stores, such as Macy's Inc., J. C. Penney and Kohl's in the U.S., have taken a page from Zara's book and have shortened design and production times to better compete.

Source: <https://www.investopedia.com/terms/f/fast-fashion.asp#ixzz5WAhSVvh6>



## F. Student 4

### Why fashion brands destroy billions' worth of their own merchandise every year

By [Chavie Lieber@ChavieLieberChavie.Lieber@Vox.com](mailto:ChavieLieber@ChavieLieberChavie.Lieber@Vox.com) Sep 17, 2018, 8:00am EDT

The British luxury brand Burberry brought in \$3.6 billion in revenue last year — and destroyed \$36.8 million worth of its own merchandise. In July 2018, the brand admitted in its annual report that demolishing goods was just part of its strategy to preserve its reputation of exclusivity. Shoppers did not react well to this news. But, because our garbage is just the end result of a host of industrial activities, some reduction measures will be less important than others. The outrage worked: Burberry announced two weeks ago it would no longer destroy its excess product, effective immediately.

Yet Burberry is hardly the only company to use this practice; it runs high to low, from Louis Vuitton to Nike. Brands destroy product as a way to maintain exclusivity through scarcity, but the precise details of who is doing it and why are not commonly publicized. The average person in Japan, for example, creates about one-third less trash than an American, even though the two countries have similar levels of GDP per person. Last year, for example, a Danish TV station revealed that the fast-fashion retailer H&M had burned 60 tons of new and unsold clothes since 2013. In May 2018, Richemont, the owner of the jewelry and watch brands Cartier, Piaget, and Baume & Mercier, admitted that in an effort to keep its products out of the hands of unauthorized sellers, it had destroyed about \$563 million worth of watches over the past two years. Whistleblowing sales associates and eagle-eyed shoppers have pointed out how this practice happens at Urban Outfitters, Walmart, Eddie Bauer, Michael Kors, Victoria's Secret, and J.C. Penny.

The fashion industry is often cited as one of the world's worst polluters — but destroying perfectly usable merchandise in an effort to maintain prestige is perhaps the dirtiest secret of them all. To find out why this practice is so widespread and what conservation-minded shoppers can do to fight back, I spoke with Timo Rissanen, an associate dean at Parsons School of Design and a professor of fashion design and sustainability at the school's Tishman Environment and Design Center. Our conversation has been edited for length and clarity.

#### Chavie Lieber

Why do brands have to destroy perfectly good merchandise?

#### Timo Rissanen

The simplest answer across the board is that today, quantitatively, there's more stuff than there ever has been before. ... Global population has gone up too, and so has the number of garments that a person buys per year. A couple years ago, we were at 20 garments per person each year. Today, in the United States, an average person buys about 68 garments per year.

#### Chavie Lieber

What is the theory for luxury brands destroying their extra merchandise?

#### Timo Rissanen

They see discounts and donating as a way to devalue their brand. They want to control how and where and at what price their goods are sold.

<https://www.vox.com/the-goods/2018/9/17/17852294/fashion-brands-burning-merchandise-burberry-nike-h-and-m>

## G. THE SHARING ECONOMY

Rachel Botsman

Defining the Sharing Economy: What is Collaborative Consumption-and what isn't?

The “sharing economy” is a term frequently incorrectly [e.g.]\_\_\_\_\_ to ideas where there is an efficient model of matching supply with demand, but zero sharing and collaboration involved. Platforms such as Washio, Deskbeers, Dashdoor, and WunWun that [1.]\_\_\_\_\_ the tap of an app to instantly access a clean shirt, massage, or keg of beer are fundamentally different from platforms like BlaBlaCar or RelayRides, which are genuinely built [2.]\_\_\_\_\_ the sharing of underused assets. Pizza Hut and Amazon one-hour delivery aren't the sharing economy, and these on-demand apps are no different; they are mobile-driven versions of point-to-point [3.]\_\_\_\_\_. They're thrown under the same umbrella as part of the sea change in consumer behavior that uses the smartphone as a remote control to efficiently access things in the real world.

This muddiness in [4.]\_\_\_\_\_ is partly coming from Uber. The experience of using geolocation and frictionless payments to change our ability to get a taxi is creating a transformation in terms of how we expect and want to [5.]\_\_\_\_\_ everything from getting a parcel shipped on Shyp to a dog walked on Wag, with a tap of a screen. But the Uberfication of everything brings with it confusion about what is true sharing.

### KEY CRITERIA

[6.]\_\_\_\_\_ we ask ourselves whether a company is in or out of the sharing economy family, maybe it is better to try to filter them against clear criteria versus definitions. I think there are five [7.]\_\_\_\_\_ ingredients to truly collaborative, sharing-driven companies.

- The core business idea involves unlocking the value of unused or under-utilized assets (“idling capacity”) whether it's for monetary or non-monetary benefits.
- The company should have a [8.]\_\_\_\_\_ values-driven mission and be built on meaningful principles including transparency, humanness, and authenticity that inform short and long-term strategic decisions.
- The providers on the supply-side should be valued, respected, and empowered and the companies committed to 9.[.]\_\_\_\_\_ the lives of these providers economically and socially better.
- The customers on the demand side of the platforms should benefit from the ability to get goods and services in more efficient ways that mean [10.]\_\_\_\_\_ pay for access instead of ownership.
- The business should be built on distributed marketplaces or decentralized networks that create a sense of belonging, collective accountability and mutual benefit through the community they [11.]\_\_\_\_\_.

### GETTING CLEAR ON TERMINOLOGY

To be sure, there is overlap between examples and meaning of terms but there are also distinct differences that are important to note. In November 2013, I wrote a piece

[12.]\_\_\_\_\_ Co. Exist outlining the need to clarify definitions. I recently revisited these definitions to make sure they best encapsulate the behaviors, business models, economic principles and companies typically used under the term. I [13.]\_\_\_\_\_ added “On-Demand Services,” as they are often being discussed as part of the same ecosystem:

**Collaborative Economy:** An economic system of decentralized networks and marketplaces that unlocks the value of underused assets by [14.]\_\_\_\_\_ needs and haves, in ways that bypass traditional middlemen.

*Good examples: Etsy, Kickstarter, Vandebron, LendingClub, Quirky, Transferwise, Taskrabbit*

**Sharing Economy:** An economic system based on sharing underused assets or services, for free or for [15.]\_\_\_\_\_ fee, directly from individuals.

*Good examples: Airbnb, Cohealo, BlaBlaCar, JustPark, Skillshare, RelayRides, Landshare*

**Collaborative Consumption:** The reinvention of traditional market behaviors—renting, lending, swapping, sharing, bartering, gifting—through technology, taking place in ways and [16.]\_\_\_\_\_ a scale not possible before the internet.

*Good examples: Zopa, Zipcar, Yerdle, Getable, ThredUp, Freecycle, eBay*

**On-Demand Services:** Platforms that directly match customer needs with providers to immediately deliver goods and [17.]\_\_\_\_\_.

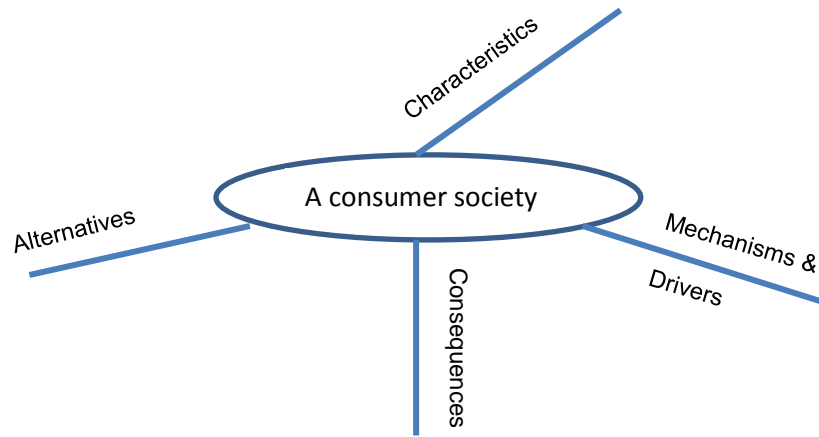
*Good examples: Instacart, Uber, Washio, Shuttlecook, DeskBeers, WunWun*

As the sharing economy grows, it will continue to divide and, as it does, I believe the need to understand and hold true to what it is really is will become [18.]\_\_\_\_\_. The sharing economy is uniquely placed to reflect our desire as human beings to connect directly and to feel a part of community larger than our individual selves, which serves a purpose [19.]\_\_\_\_\_ higher than simply the trading of stuff, space and talents. It’s good to criticize the core ideas and companies, as this will only challenge it to improve, but let’s make [20.]\_\_\_\_\_ we accurately define what we’re criticizing first.

Source: <https://www.fastcompany.com/3046119/defining-the-sharing-economy-what-is-collaborative-consumption-and-what-isnt>

## H. SORTING IT ALL OUT

1. Use the mindmap below to organize the information about the theme ‘A Consumer Society’.



B.

a.	How many items are there in the average American home?	100,000 / 200,000 / <b>300,000</b>
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n.	3.1% of the world's children live in the US. How much of the world's consumption of toys do they account for?	45% / <b>60%</b> / 75%
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F. Student 1

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SMITHSONIAN.COM

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F. Student 2

### **When Will We Hit Peak Garbage? (part 2)**

By Joseph Stromberg

SMITHSONIAN.COM

OCTOBER 30, 2013

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The average person in Japan, for example, creates about one-third less trash than an American, even though the two countries have similar levels of GDP per person. This is partly because of higher-density living arrangements and higher prices for imported goods, but also because of norms surrounding consumption. In many Japanese municipalities, trash must be disposed in clear bags (to publicly show who isn't bothering to recycle), and recyclables are routinely sorted into dozens of categories, policies driven by the limited amount of space for landfills in the small country.

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## F. Student 3

### Fast Fashion

#### **DEFINITION of 'Fast Fashion'**

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#### **BREAKING DOWN 'Fast Fashion'**

Fast fashion is made possible by innovations in supply chain management (SCM) among fashion retailers. Its goal is to quickly produce an item that is both cost-efficient and responds to fast-shifting consumer demands. The assumption is that consumers want a high-fashion styled article of clothing at a low price. Fast fashion follows the concept of category management, which more closely links the manufacturer with the consumer in a mutually beneficial relationship. **The speed at which fast fashion happens requires such a collaboration, as the need to refine and accelerate supply chain processes is paramount.** There is also considerable pressure to keep costs as low as possible.

From the perspective of retailers, fast fashion is advantageous because the constant introduction of new products encourages customers to make frequent visits to stores. Collections are often based on designs seen at the spring and autumn Fashion Week events. Fast fashion enables mainstream consumers to purchase trendy clothing at an affordable price. The speed at which fast fashion moves tends to help retailers avoid markdowns, which cut into margins. The company does not replenish, but replaces items that sell out with new items. Accordingly, consumers know to purchase an item they like when they see it because it's not likely to be available for long.

Despite the advantages for customers, fast fashion has been criticized on the grounds that it encourages a "throw-away" attitude via the built-in obsolescence of its products. Some contend that such disposable fashion contributes to pollution, poor workmanship and poor working conditions in developing countries. **The trend has also been criticized on intellectual property grounds, with some designers alleging that their designs have been illegally mass-produced by retailers.**

#### **Fast Fashion Leaders**

Spanish chain Zara (owned by Inditex) is all but synonymous with fast fashion, serving as an exemplar of how to cut the time between design, production and delivery. Other big names in fast fashion include H&M of Sweden, UNIQLO of Japan, GAP and Forever 21 of the United States, and Topshop of England. In addition, more traditional department stores, such as Macy's Inc., J. C. Penney and Kohl's in the U.S., have taken a page from Zara's book and have shortened design and production times to better compete.

Source: <https://www.investopedia.com/terms/f/fast-fashion.asp#ixzz5WAhSVvh6>



**F. Student 4****Why fashion brands destroy billions' worth of their own merchandise every year**

By [Chavie Lieber@ChavieLieberChavie.Lieber@Vox.com](mailto:ChavieLieber@ChavieLieberChavie.Lieber@Vox.com) Sep 17, 2018, 8:00am EDT

The British luxury brand Burberry brought in \$3.6 billion in revenue last year — and destroyed \$36.8 million worth of its own merchandise. In July 2018, the brand admitted in its annual report that demolishing goods was just part of its strategy to preserve its reputation of exclusivity. Shoppers did not react well to this news. People vowed to boycott Burberry over its wastefulness, while members of Parliament demanded the British government crack down on the practice. The outrage worked: Burberry announced two weeks ago it would no longer destroy its excess product, effective immediately.

Yet Burberry is hardly the only company to use this practice; it runs high to low, from Louis Vuitton to Nike. Brands destroy product as a way to maintain exclusivity through scarcity, but the precise details of who is doing it and why are not commonly publicized. Every now and then, though, bits of information will trickle out. Last year, for example, a Danish TV station revealed that the fast-fashion retailer H&M had burned 60 tons of new and unsold clothes since 2013. In May 2018, Richemont, the owner of the jewelry and watch brands Cartier, Piaget, and Baume & Mercier, admitted that in an effort to keep its products out of the hands of unauthorized sellers, it had destroyed about \$563 million worth of watches over the past two years. Whistleblowing sales associates and eagle-eyed shoppers have pointed out how this practice happens at Urban Outfitters, Walmart, Eddie Bauer, Michael Kors, Victoria's Secret, and J.C. Penny.

The fashion industry is often cited as one of the world's worst polluters — but destroying perfectly usable merchandise in an effort to maintain prestige is perhaps the dirtiest secret of them all. To find out why this practice is so widespread and what conservation-minded shoppers can do to fight back, I spoke with Timo Rissanen, an associate dean at Parsons School of Design and a professor of fashion design and sustainability at the school's Tishman Environment and Design Center. Our conversation has been edited for length and clarity.

**Chavie Lieber**

Why do brands have to destroy perfectly good merchandise?

**Timo Rissanen**

The simplest answer across the board is that today, quantitatively, there's more stuff than there ever has been before. ... Global population has gone up too, and so has the number of garments that a person buys per year. A couple years ago, we were at 20 garments per person each year. Today, in the United States, an average person buys about 68 garments per year.

**Chavie Lieber**

What is the theory for luxury brands destroying their extra merchandise?

**Timo Rissanen**

They see discounts and donating as a way to devalue their brand. They want to control how and where and at what price their goods are sold.

## G. THE SHARING ECONOMY

### Defining the Sharing Economy: What is Collaborative Consumption-and what isn't?

The “sharing economy” is a term frequently incorrectly **applied** to ideas where there is an efficient model of matching supply with demand, but zero sharing and collaboration involved. Platforms such as Washio, Deskbeers, Dashdoor, and WunWun that **require** the tap of an app to instantly access a clean shirt, massage, or keg of beer are fundamentally different from platforms like BlaBlaCar or RelayRides, which are genuinely built **on** the sharing of underused assets. Pizza Hut and Amazon one-hour delivery aren't the sharing economy, and these on-demand apps are no different; they are mobile-driven versions of point-to-point **delivery**. They're thrown under the same umbrella as part of the sea change in consumer behavior that uses the smartphone as a remote control to efficiently access things in the real world.

This muddiness in **terminology** is partly coming from Uber. The experience of using geolocation and frictionless payments to change our ability to get a taxi is creating a transformation in terms of how we expect and want to **access** everything from getting a parcel shipped on Shyp to a dog walked on Wag, with a tap of a screen. But the Uberfication of everything brings with it confusion about what is true sharing.

#### KEY CRITERIA

**When** we ask ourselves whether a company is in or out of the sharing economy family, maybe it is better to try to filter them against clear criteria versus definitions. I think there are five **key** ingredients to truly collaborative, sharing-driven companies.

- The core business idea involves unlocking the value of unused or under-utilized assets (“idling capacity”) whether it's for monetary or non-monetary benefits.
- The company should have a **clear** values-driven mission and be built on meaningful principles including transparency, humanness, and authenticity that inform short and long-term strategic decisions.
- The providers on the supply-side should be valued, respected, and empowered and the companies committed to **making** the lives of these providers economically and socially better.
- The customers on the demand side of the platforms should benefit from the ability to get goods and services in more efficient ways that mean **they** pay for access instead of ownership.
- The business should be built on distributed marketplaces or decentralized networks that create a sense of belonging, collective accountability and mutual benefit through the community they **build**.

#### GETTING CLEAR ON TERMINOLOGY

To be sure, there is overlap between examples and meaning of terms but there are also distinct differences that are important to note. In November 2013, I wrote a piece **for** Co. Exist outlining the need to clarify definitions. I recently revisited these definitions to make sure they best encapsulate the behaviors, business models, economic principles and companies typically used under the term. I **have** added “On-Demand Services,” as they are often being discussed as part of the same ecosystem:

**Collaborative Economy:** An economic system of decentralized networks and marketplaces that unlocks the value of underused assets by **matching** needs and haves, in ways that bypass traditional middlemen.

*Good examples: Etsy, Kickstarter, Vandebron, LendingClub, Quirky, Transferwise, Taskrabbit*

**Sharing Economy:** An economic system based on sharing underused assets or services, for free or for a fee, directly from individuals.

*Good examples: Airbnb, Cohealo, BlaBlaCar, JustPark, Skillshare, RelayRides, Landshare*

**Collaborative Consumption:** The reinvention of traditional market behaviors—renting, lending, swapping, sharing, bartering, gifting—through technology, taking place in ways and on a scale not possible before the internet.

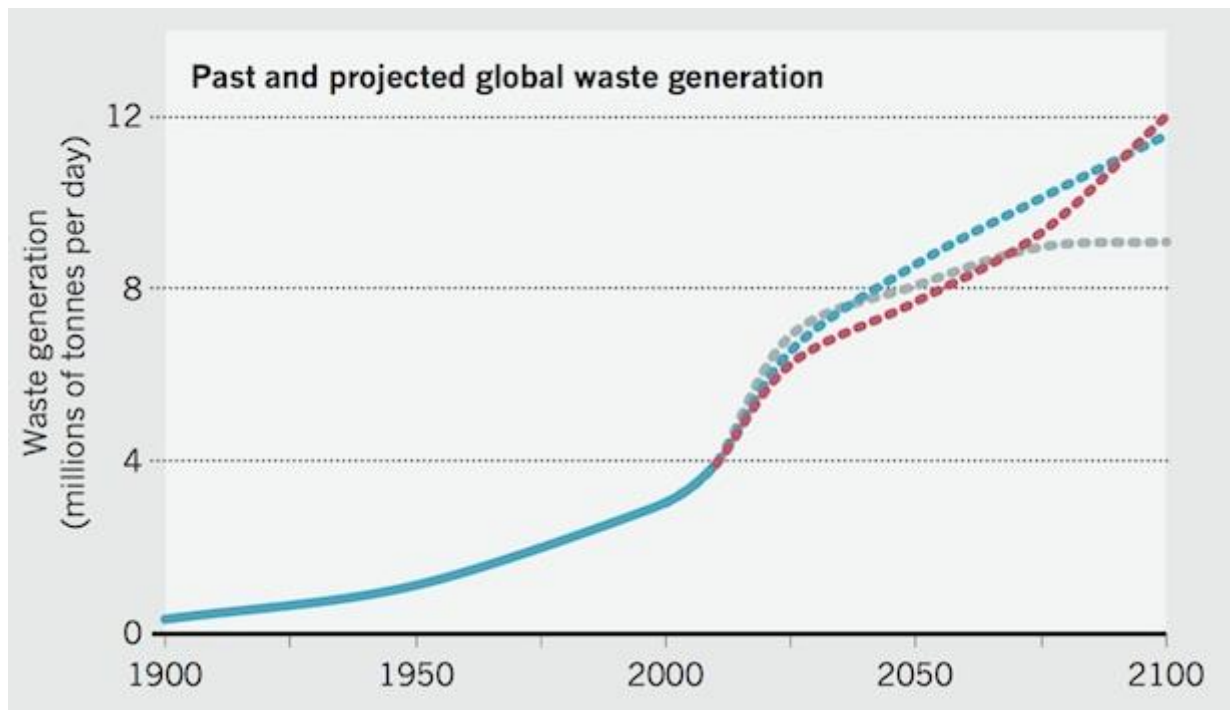
*Good examples: Zopa, Zipcar, Yerdle, Getable, ThredUp, Freecycle, eBay*

**On-Demand Services:** Platforms that directly match customer needs with providers to immediately deliver goods and services.

*Good examples: Instacart, Uber, Washio, Shuttlecook, DeskBeers, WunWun*

As the sharing economy grows, it will continue to divide and, as it does, I believe the need to understand and hold true to what it is really is will become greater. The sharing economy is uniquely placed to reflect our desire as human beings to connect directly and to feel a part of community larger than our individual selves, which serves a purpose far higher than simply the trading of stuff, space and talents. It's good to criticize the core ideas and companies, as this will only challenge it to improve, but let's make sure we accurately define what we're criticizing first.

image: <http://blogs.smithsonianmag.com/science/files/2013/10/waste-projection-graph.jpg>



A scenario that assumes current demographic and per capita waste production trends will continue (blue line) projects waste to peak sometime after 2100, as does a scenario with even greater population growth (red line). Only a scenario with a smaller, wealthier world population and more environmentally-friendly consumption behaviors (grey line) enables peak garbage to occur this century. Image via Nature/Hoornweg et. al.

## When Will We Hit Peak Garbage? (part 2)

By Joseph Stromberg

SMITHSONIAN.COM

OCTOBER 30, 2013

How can we address our population's growing consumption problem? One of the main things to consider is that it's largely driven by people in the developing world voluntarily moving to cities and improving their standard of living, both signs of economic progress in their own right. But even if these demographic shifts continue, the projected rates of garbage growth aren't entirely inevitable, because there are cultural and policy dimensions to waste production.

The average person in Japan, for example, creates about one-third less trash than an American, even though the two countries have similar levels of GDP per person. This is partly because of higher-density living arrangements and higher prices for imported goods, but also because of norms surrounding consumption. In many Japanese municipalities, trash must be disposed in clear bags (to publicly show who isn't bothering to recycle), and recyclables are routinely sorted into dozens of categories, policies driven by the limited amount of space for landfills in the small country.

Creating policies that give incentive to people to produce less waste elsewhere, therefore, could be a way of tackling the problem. But, because our garbage is just the end result of a host of industrial activities, some reduction measures will be less important than others.

Designing recyclable packaging would be a much less useful solution, for instance, than designing products that don't need to be replaced as often. Even better [...] would be accelerating ongoing increases in education and economic development in the developing world, especially Africa, which would cause urban population growth—and also the amount of trash produced per capita—to level off sooner.

Garbage might seem like a passé environmental issue, but it's a proxy for nearly all the others—so tripling our global rate of garbage production is a particularly bad idea. "The planet is having enough trouble handling the cumulative impacts that we're subjecting it to today," Hoornweg says. "So with this projection, we're basically looking at tripling the total amount of stress that we're putting the planet under."

<https://www.smithsonianmag.com/science-nature/when-will-we-hit-peak-garbage-7074398/>

### Chavie Lieber

Is it just clothing that gets destroyed?

### Timo Rissanen

No, this is not limited to apparel. I saw a few months ago that Amazon was being called out in Germany for **destroying tons of returned items**, like mattresses, washing machines, dishwashers, and cellphones.

### Chavie Lieber

What are the methods of destroying merch?

### Timo Rissanen

Burning and shredding are the main ones. The third option is simply landfilling, but most companies do incineration so that they can claim the incinerators capture the energy. Burberry has insisted it's recycling the clothing into energy, except the energy that is recouped from burning clothing doesn't come anywhere near the energy that was used to create the garments.

**Chavie Lieber**

Where does the actual destroying happen?

**Timo Rissanen**

A lot of it is done in India. There's one town in India, Panipat, that specializes in shredding, and there's [a horrendous short film](#) that documents women shredding clothes that are brand new. The film shows the women speculating that water in the West must be so expensive, and that people can't afford to do their laundry, and so that's why it's cheaper for them to throw stuff out. Hearing that is really uncomfortable. Incineration happens everywhere, from America to [Sweden](#).

**Chavie Lieber**

As someone who is a part of the fashion world, can you understand the argument for destroying things in order to save a company's prestige factor?

**Timo Rissanen**

No. I cannot. We have arrived at a point where I think we need to have some very honest conversations about what type of values this industry has.

**Chavie Lieber**

Do you think companies [will follow in Burberry's footsteps](#) and stop destroying their merch?

**Timo Rissanen**

I think so. I do think it will take some time because we are talking about a whole system, and it will not come to a halt because of a little bit of bad publicity. But I do think that being called out forces brands to take a look at what's happening and start to have conversations about what they can do about it.

**Chavie Lieber**

What can shoppers do?

**Timo Rissanen**

On a very simple level, figure out which things bring you the most satisfaction and then buy those things. We are all prone to impulse-buying, which is what I'd encourage to limit. I also recommend [buying secondhand](#) if you are interested in environmental impact.

<https://www.vox.com/the-goods/2018/9/17/17852294/fashion-brands-burning-merchandise-burberry-nike-h-and-m>

**IKEA** ([/aɪˈkiːə/](#), Swedish: [\[iˈkeːa\]](#)) is a Swedish-founded [multinational](#) group that designs and sells [ready-to-assemble furniture](#), kitchen appliances and home accessories, among other useful goods and occasionally home services. It has been the world's largest [furniture](#) retailer since at least 2008. <sup>[7][8][9][10][11]</sup>

## **IKEA Business Strategy and Competitive Advantage: Capitalising on IKEA Concept**

Posted on [September 4, 2017](#) by [John Dudovskiy](#)

IKEA business strategy is built upon the IKEA concept. The IKEA Concept starts with the idea of providing a range of home furnishing products that are affordable to the many people, not just the few. It is achieved by combining function, quality, design and value – always with sustainability in mind. The IKEA Concept exists in every part of the company, from design, sourcing, packing and distributing through to business model. <sup>[1]</sup>

The following points constitute integral elements of IKEA business strategy.

**1. Offering the lowest prices.** Cost effectiveness is one of the solid bases of IKEA competitive advantage. The global furniture retailer is able to offer low

prices thanks to a combination of economies of scale and technological integration into various business processes.

**2. Increasing variety of products.** Great range of products also belongs to the list of IKEA competitive advantages. There are 9500 products across in IKEA portfolio and the company renews its product range annually launching approximately 2,500 new products.[2] The company is also increasing its presence in food and catering industries. The slogan “It Starts with the Food” was the main theme for company in 2016. In FY 2016 IKEA FOOD turnover that comprises restaurants, bistros, Swedish Food Markets, and co-worker restaurants amounted to EUR 1.7 billion.[3]

**3. International market expansion strategy.** The home improvement and furnishing chain has traditionally engaged in new market development in an aggressive manner. IKEA Group has 340 stores in 28 markets worldwide, 22 Pick-up and Order Points in 11 countries, 41 Shopping Centres in 15 countries and 38 Distribution sites in 18 countries[4] The company is planning to open stores in India and Serbia in medium term perspective.[5]

<http://docuseek2.com/bf-true>

presentation of documentary on clothing industry

<https://www.youtube.com/watch?v=425WA6AJr58>

news on burberry & co burning merchandise

[https://www.youtube.com/watch?v=-nPq6iX\\_XGQ](https://www.youtube.com/watch?v=-nPq6iX_XGQ)

<https://www.youtube.com/watch?v=NXTIfczSnE>

what happens to old clothes

<https://www.youtube.com/watch?v=EckLgq2W9RU>

what happens to clothes and solutions for the fashion industry

<https://www.youtube.com/watch?v=ig0--DfC2Xk>

explains fast fashion & gives some facts on environmental impact

<https://www.youtube.com/watch?v=KjTq5BnbxNO>

planned obsolescence with computers

[https://www.youtube.com/watch?v=24L7r7SoK\\_Y](https://www.youtube.com/watch?v=24L7r7SoK_Y)

a positive view of consumerism where object transubstantiate values

<https://www.youtube.com/watch?v=GwdtMs9ulLE>

goldman sax video on millennium consumers

<https://www.youtube.com/watch?v=D9gcGjCF60o>

explanation of consumerism, no evaluative perspective

<https://www.youtube.com/watch?v=ZhkBfbwCzxc>

1 minute video explaining fast fashion

# Simon Kuznets

## Prize Lecture

Lecture to the memory of Alfred Nobel, December 11, 1971

### Modern Economic Growth: Findings and Reflections

#### 1. Definitions

A country's economic growth may be defined as a long-term rise in capacity to supply increasingly diverse economic goods to its population, this growing capacity based on advancing technology and the institutional and ideological adjustments that it demands. All three components of the definition are important. The sustained rise in the supply of goods is the *result* of economic growth, by which it is identified. Some small countries can provide increasing income to their populations because they happen to possess a resource (minerals, location, etc.) exploitable by more developed nations, that yields a large and increasing rent. Despite intriguing analytical problems that these few fortunate countries raise, we are interested here only in the nations that derive abundance by using advanced contemporary technology – not by selling fortuitous gifts of nature to others. Advancing technology is the *permissive* source of economic growth, but it is only a potential, a necessary condition, in itself not sufficient. If technology is to be employed efficiently and widely, and, indeed, if its own progress is to be stimulated by such use, institutional and ideological adjustments must be made to effect the proper use of innovations generated by the advancing stock of human knowledge. To cite examples from modern economic growth: steam and electric power and the large-scale plants needed to exploit them are not compatible with family enterprise, illiteracy, or slavery – all of which prevailed in earlier times over much of even the developed world, and had to be replaced by more appropriate institutions and social views. Nor is modern technology compatible with the rural mode of life, the large and extended family pattern, and veneration of undisturbed nature.

The source of technological progress, the particular production sectors that it affected most, and the pace at which it and economic growth advanced, differed over centuries and among regions of the world; and so did the institutional and ideological adjustments in their interplay with the technological changes introduced into and diffused through the growing economies. The major breakthroughs in the advance of human knowledge, those that constituted dominant sources of sustained growth over long periods and spread to a substantial part of the world, may be termed epochal

innovations. And the changing course of economic history can perhaps be subdivided into economic epochs, each identified by the epochal innovation with the distinctive characteristics of growth that it generated.<sup>1</sup> Without considering the feasibility of identifying and dating such economic epochs, we may proceed on the working assumption that modern economic growth represents such a distinct epoch – growth dating back to the late eighteenth century and limited (except in significant *partial* effects) to economically developed countries. These countries, so classified because they have managed to take adequate advantage of the potential of modern technology, include most of Europe, the overseas offshoots of Western Europe, and Japan – barely one quarter of world population.<sup>2</sup> This paper will focus on modern economic growth, but with obviously needed attention to its worldwide impact.

Limitations of space prevent the presentation of a documented summary of the quantitative characteristics commonly observed in the growth of the presently developed countries, characteristics different from those of economic growth in earlier epochs. However, some of them are listed, because they contribute to our understanding of the distinctive problems of economic life in the world today. While the list is selective and is open to charges of omission, it includes those observed and empirically testable characteristics that lead back to some basic factors and conditions, which can only be glimpsed and conjectured, and forward to some implications that have so far eluded measurement.

## **2. The six characteristics**

Six characteristics of modern economic growth have emerged in the analysis based on conventional measures of national product and its components, population, labor force, and the like. First and most obvious are the high rates of growth of per capita product and of population in the developed countries – both large multiples of the previous rates observable in these countries and of those in the rest of the world, at least until the recent decade or two.<sup>3</sup> Second, the rate of rise in productivity, i.e. of output per unit of all inputs, is high, even when we include among inputs other factors in addition to labor, the major productive factor – and here too the rate is a large multiple of the rate in the past.<sup>4</sup> Third, the rate of structural transformation of the economy is high. Major aspects of structural change include the shift away from agriculture to non-agricultural pursuits and, recently, away from industry to services; a change in the scale of productive units, and a related shift from personal enterprise to impersonal organization of economic firms, with a corresponding change in the occupational status of labor.<sup>5</sup> Shifts in several other aspects of economic structure could be added (in the structure of consumption, in the relative shares of domestic and foreign supplies, etc.). Fourth, the closely related and extremely important structures of society and its ideology have also changed rapidly. Urbanization and secularization come easily to mind as components of what sociologists term the process of modernization. Fifth, the



economically developed countries, by means of the increased power of technology, particularly in transport and communication (both peaceful and warlike), have the propensity to reach out to the rest of the world – thus making for one world in the sense in which this was not true in any pre-modern epoch.<sup>6</sup> Sixth, the spread of modern economic growth, despite its worldwide partial effects, is limited in that the economic performance in countries accounting for three-quarters of world population still falls far short of the minimum levels feasible with the potential of modern technology.<sup>7</sup> This brief summary of two quantitative characteristics of modern economic growth that relate to aggregate rates, two that relate to structural transformation, and two that relate to international spread, supports our working assumption that modern economic growth marks a distinct economic epoch. If the rates of aggregate growth and the speed of structural transformation in the economic, institutional, and perhaps even in the ideological, framework are SO much higher than in the past as to represent a revolutionary acceleration, and if the various regions of the world are for the first time in history so closely interrelated as to be one, some new major growth source, some new epochal innovation, must have generated these radically different patterns. And one may argue that this source is the emergence of modern science as the basis of advancing technology – a breakthrough in the evolution of science that produced a potential for technology far greater than existed previously.

<https://www.nobelprize.org/prizes/economic-sciences/1971/kuznets/lecture/>

## 2 + 1 Strategic Approach to Operations

Two key components make up Zara's distinctive strategy.

### Vertical Integration

Firstly, Zara is vertically integrated. It manages design, production, shipment, display, promotion, sales, and feedback itself, relying only diminutively on outsourcing. This vertical integration approach gives Zara a lot of control over how it operates. In turn, Zara leverages this control into precise data acquisition and forecasting, seamless modifications, and reliable quality in its products. Being vertically integrated also enables more fluid communications between stages of the Zara product cycle: design, manufacturing, transportation, etc. This being a sort of subset of the control advantage, Zara has a distinct advantage in its ability to create efficient supply chains.

## Logistical Trade-Offs

The vertically integrated strategy comes at a cost, however. Competitors can book factory space in advance abroad for less money and with greater production assurances. Zara manufactures most of its products in Europe where it is more costly.

However, an overwhelming majority of Zara's sales are in Europe. According to Zara's official website, sales by geographical region show Europe with 66%, Asia with 20%, and America with 14% of sales. Outsourcing to Asia necessitates very costly transportation costs back to its biggest market. Therefore, by keeping manufacturing at home, Zara circumnavigates this cost. Something many other clothing retailers simply cannot replicate because they rely so heavily on cheap manufacturing labor from Asia.

Control over design and manufacturing by keeping manufacturing processes close to management centers also makes garments both higher quality and easier to manipulate. Not only are European workers more skilled, European capital equipment is more precise. The confluence of better capital equipment and more adept employees results in higher quality garments. Moreover, vertical integration and locating manufacturing close to markets enables Zara to manipulate designs and churn out new ones very quickly, introducing Zara's second most important strategy.

## Product Replacement Cycle

Because Zara manufactures its products in Europe, it can very rapidly change designs to accommodate dynamic demand for various styles. This relates closely to Zara's lightning-fast product replacement, unparalleled in the industry. Fast product replacement does two things for Zara. First, it enables Zara to adapt to consumer demands quickly, aligning itself with demand in a meaningful way. And secondly, it encourages customers to buy in a timely manner because the particular product or design that strikes your fancy today may be replaced by something else tomorrow.

## Product Quality

"In Zara, every purchase is an impulse buy...You are buying clothes not because you love them, but because [they are] likely to be gone in a matter of days." (Suzy Hansen 2012) While this quote does highlight Zara's low-inventory strategy (to be talked about next) and its rocket-fast product replacement cycle, it may miss the mark on the experience Zara creates. Perhaps impulsive buys are something common at Zara stores, and perhaps Zara wishes to create such an environment; but customers keep coming back for more Zara products. So this statement might wax unrealistic as sentiments usually indicate customers are happy. Many report the quality of Zara products to be quite good compared to others that offer similar, but much more expensive products – like Armani, Gucci, or Prada. And as we explored early, there may be some vertically integrated evidence to back that assertion up.

## Low Inventory Strategy

Moving on, while vertical integration and product replacement highlight two of Zara's strategic and very unique approaches to retail fashion, there exist many other stratagems that merit mention. Perhaps linked to the fast product replacement and turnover that makes customers think "I need to buy this now!" is Zara's artificially low inventory environment. The idea is that low-inventories create a sense of urgency among customers. They think: "I had better buy this dress because there are only two left!" Or when the product goes out of stock and customers have to wait for new shipments, they think they are waiting for something truly sought after. While this amounts to something like a psychological ruse, low-inventories enable Zara to decrease the number of price reduction events ("sales").

## Proprietary Software and Design Flow

Zara uses proprietary software to analyze fashion trends from each of its many hundreds of stores around the world. This proprietary software, on top of a specially trained professional work-force to do the same, capitalizes off of Zara's rapid product replacement cycles by cataloguing in real-time which products are being purchased, in what quantity, and where. This enables Zara to realize the newest fashion trends. Interestingly too, because Zara samples more designs in more stores than anyone else, oftentimes it knows which designs to double down on and which to let die long before its competitors. In this way, Zara really distinguishes itself by reversing the usually flow from design, manufacturing, transport, and then to the customer; putting the customer first instead.

<https://toughnickel.com/industries/Business-Operations-of-Clothing-Retailer-Zara>

Debate topic: The less you own, the happier you'll be.

<https://www.petershallard.com/why-minimalism-is-toxic-for-you-and-your-business/>

(arguments against minimalism)

<https://www.artofmanliness.com/articles/the-problem-with-minimalism/>

<https://www.nytimes.com/2017/04/29/style/when-the-gospel-of-minimalism-collides-with-daily-life.html>

<https://internationalhotdish.com/the-problem-with-minimalism/>

(arguments against minimalism)

<http://popsop.com/2014/06/the-sharability-of-almost-everything/>

(arguments for collaborative consumption)