

Ethical Fashion: Designing the Future with Supply Chain Transparency



With emerging brands touting “Made in America” in their crowdfunding campaigns, and social media platforms providing bleeding-edge, front-page coverage of the world’s environmental and social disasters,

**corporate responsibility has become
the latest – and most widespread –
fashion trend.**

Consumers are strong influencers of this trend, using their digital voices to directly impact every aspect of a fashion brand’s equity and pushing companies to provide more focus and commitment to transparency and sustainability. Today’s consumers are more savvy than ever and understand that historically corporate supply chains were originally designed to be anything but transparent. Measuring and testing the social, environmental and commercial impacts of supply chain choices is now part of the public domain, and ethical fashion is noticeably rewarded and celebrated.

Once only visible inside corporate walls, traditional supply chains are no longer business as usual for brands that design, develop and source products. From big labels like *Nike*, to plucky luxury start-ups like Bruno Pieter’s *Honest by*, corporate initiatives around supply chain transparency have become just as essential as a brand’s logo, mission statement and value proposition.

With style-setters announcing that fashion comes first, but ethical fashion following as a very close second, the race towards sustainability and transparency is finally on trend. Moreover, commitment and progress are as equally rewarded as actual impact. Consumers and fashion industry audiences are cheering for every valiant effort at transparency, because, whether perception or reality, they have come to realize that the stakes are high and companies who do not resolve their supply chain issues are part of the problem.

Transparency Strategy and Execution

The emergence of international agencies and increasingly supportive boardrooms has compelled companies to develop clear initiatives focused on labor practices, energy consumption, waste and carbon emissions measurement and water supply management. Additionally, the financial implications to an organization's balance sheet are being scrutinized. The reason? There are more and more examples of why a responsible and ethical approach to the supply chain makes for a profitable business and provides a true competitive advantage. Benefits include greater efficiency, responsible entrepreneurship, attraction and retention of talent and increased customer loyalty.

From small luxury brands to large discount chains, creating and sustaining a “compliant global sourcing strategy” continues to require agile and superior execution. Even with the best intentions, poorly planned or executed strategies can quickly create a catastrophe that will be echoed and amplified on consumer social media channels around the world. And because buying a product with no knowledge of its supply chain footprint is a consumer's prerogative, choosing supply chain transparency will be the competitive differentiator of only the “truly inspired” brands.

Past considerations for providing a transparent supply chain such as the “Why” (workers rights and environmental concerns topping the list) have been replaced by the “How” (establishing compliance standards and measuring everything that matters). When it comes to supply chain transparency, it takes people and processes. It takes discipline, analysis and data – *lots* of data. This combination of key factors implies the need for supporting tools and software.

The ability to provide transparency is directly proportionate to an organization's supply chain complexity: smaller and younger are typically better. The *Honest by* brand (www.honestby.com), launched by the former art director of *Hugo by Hugo Boss*, Bruno Pieter, is pioneering full transparency. Every product is designed

Sample of material information detail available for each product at www.honestby.com.

Material information

FABRIC

Fabric: white poplin
 Composition: 100% organic cotton
 Weight: 110 gr/m²
 Yarn or piece dyed: piece dyed
 Certificate: GOTS
 Origin of raw material: South West USA, New Mexico, California and Texas (depending on yield)
 Spinner: Bühler, Sennhof, Switzerland - www.buhleryarns.com
 Weaver: Alumo, Appenzell, Switzerland - www.alumo.ch
 Dyer/Finisher: Alumo, Appenzell, Switzerland
 Supplier: Alumo, Appenzell, Switzerland

SIZE LABEL

Composition: 100% polyester
 Origin of raw material: China
 Production plant location: China
 Supplier: Labels and things, Kontich, Belgium – www.labels-things.com

Sample information used with permission.

to not only delight the fashionable, but also to seduce the ethical. Using recycled materials with minimal environmental footprints and sourcing natural fabrics and threads wasn't enough: the brand is also sharing the name of the factory where products are sewn and even providing visibility *to the suppliers of* their textile suppliers.

It doesn't stop there: the *Honest by* site provides an itemized breakdown of every cost component. The web provides a front-end interface for presenting this information to consumers, while the sourcing and design teams execute the strategy on the back end. The vision and the execution are all aligned, facilitated by people, processes and systems to support the story-telling. This commitment to transparency raises the bar for the ethical-elite; however, small-scale micromanagement and monitoring with a business model designed for this exact impact may seem out of reach for larger brands and manufacturers.

Sharing Transparency Innovation

“Plan, Design, Make, Ship” are the mantras of every brand. Transparency disrupts these entrenched processes and provides an opportunity for change. Critical considerations will determine how these processes are designed, implemented and supported: What are the new requirements for managing materials? Should we create a portfolio of sustainable materials? Why not develop sustainable prototyping, sourcing and manufacturing models?

Sharing innovation is no longer a “no-no”. Silence is. The questionable exploits of Hollywood stars are forgiven quicker than today’s “supply chain indiscretions.” This is why certain bigger brands, some with tarnished supply chain legacies, are taking the lead. They are not only asking lots of questions, but also visibly providing many of the answers. With considerations such as: How do we super-impose transparency into the day-to-day operations of designers, sourcing teams and their extended vendors and suppliers? What solutions are available today to support this level of transparency? Which ones need to be created?

Nike has developed the **Materials Sustainability Index (MSI)**¹, a database that is the result of over seven years of research on more than 77,000 materials. Nike trains its entire supply chain team on material choices in design and sourcing, creating accountability on the creative side of the supply chain, not just at the end. In a best of breed “open-source” model, Nike is making the MSI available to the public – a disruptive measure, no doubt, that will put pressure on competitors in the athletic and outdoors market, many of which have yet to consider full transparency as a supply chain mandate.

Sample of the Materials Sustainability Index (MSI) developed by Nike

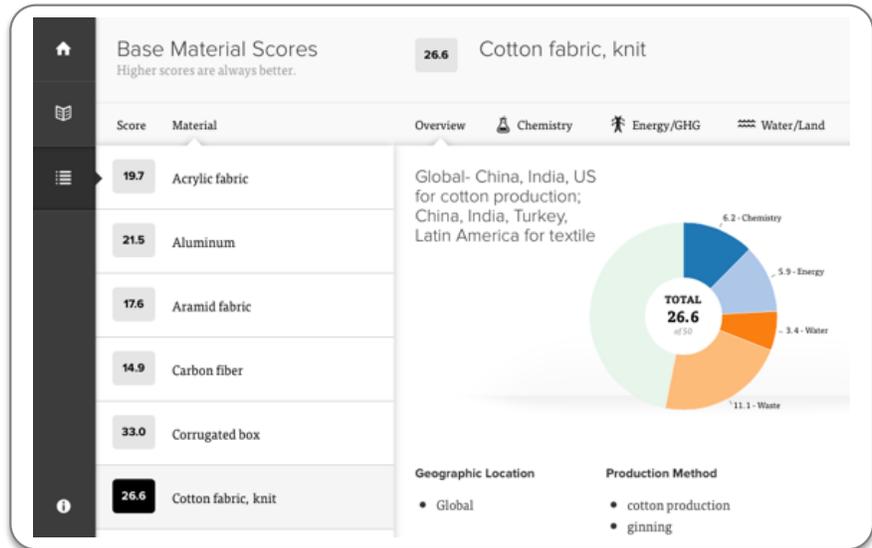


¹ <http://www.nikeresponsibility.com/infographics/materials/index.html>

Another tool is the **Higg Index**². Recently updated, this suite of assessment tools standardizes the measurement of environmental and social impacts of apparel and footwear products across the product lifecycle and throughout the value chain. The index is open source and free to the public.

The industry has also adopted **Life Cycle Assessment (LCA)**³ a measurement process to determine the impact of all the materials and activities used in developing clothing and consumer products, including raw materials to manufactured products, packaging and transportation of goods.

Sample Higg Index information.



While the industry's skilled and committed resources are initially focused on collecting and crunching data that impacts supply chains, the next steps include developing tools and methodologies, as well as implementing or adapting systems and processes. Even with innovation generating the headlines, existing systems and tools can be quickly adapted to maintain the momentum and do the heavy lifting.

² <http://www.apparelcoalition.org/higgindex/>

³ <http://www.epa.gov/nrmrl/std/lca/lca.html#define>

Enabling Solutions

Product Lifecycle Management (PLM) is one type of system that provides a platform for supply chain collaboration – a key driver of transparency. With the ability to support a product portfolio and deep, detailed product definition information (including material, costing, testing and vendor management), a solid PLM system can become the backbone of a company's supply chain transparency initiatives.

The design phase determines most of a product's environmental impacts. This is where PLM systems offer the maximum impact. By designing products with very detailed material specifications and by providing product and merchant teams with the information they need to choose materials from more suitable vendors, sustainability objectives can begin to impact brands. Material libraries in PLM systems provide visibility into fabrics, trims, packaging, sub assemblies and graphic treatments. Scoring material vendors and suppliers on criteria such as compliance with the Restricted Substance List (RSL) testing or defining attributes around water program requirements can impact material choices. With features such as "where-used" and processes such as "re-use," designers can leverage pre-approved materials into their designs and tech packs. Developing a product Bill of Materials (BOM) with approved materials will streamline sourcing activities. BOM "what-if" scenarios can be played out to understand trade-offs of using alternative materials or factories and the implications to the design, cost and delivery.

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PLM systems' Vendor Management capabilities provide a platform for creating an end-to-end collaboration and transparency backbone. Vendor Management includes Vendor Scorecards, Quality & Compliance, Inspection Management, Social Compliance Audits, Technical Compliance Audits, Factory Improvement Plan Management and Production Capabilities Certification, providing the foundation required for ethical decision-making. By incorporating these metrics into the traditional supply-chain measures of quality, cost and delivery, an organization can adapt PLM to support many transparency objectives.

These features are available in many PLM systems, with minimal configuration or customization. However, more integrated processes and requirements can be configured to provide the unique end-to end visibility and transparency required by

organizations committed to best practices. Such customizations are called Extended PLM (E-PLM) and often include mobile apps for design and submittals. New apps to support on-site photo streaming from factory floors showing work conditions, recordings of interviews with workers and real time global communication are expected as the next wave.

With teams being developed to support new supply chain initiatives, PLM solutions can support new approval, testing and data collection workflows. Sustainability-focused manufacturing and sourcing teams can work closely with design and product development teams, and new calendars can be set up to support the unique timeline considerations of sustainable practices. Global collaboration will impact top and bottom lines through increased data integrity and more efficient processes.

Aside from PLM, other solutions include **compliance, quality and materials management tools**. These tools can integrate with PLM systems and provide in-depth visibility and accountability to material vendors, material testing and audit reports and include environmental testing attributes and standards. Online information sources are also available and are designed to provide transparency into overseas suppliers through customs data and directories, allowing organizations to investigate companies, trade records and global trade trends.

Final Word

Supply chain transparency is about making today better, with an eye to the future. With a commitment to innovation and the desire to embed sustainability best practices into product development and manufacturing, our day-to-day systems and processes can transcend “business as usual” through a balanced approach to product development and supply chain operations that takes into account environmental, social, quality and cost impacts. By assessing the global impact and redefining corporate performance to meet new standards for excellence, fashion and retail brands can play a role in designing the future. This is the trend that will define our industry.

The Parker Avery Group

The Parker Avery Group is a boutique strategy and management consulting firm that is a trusted advisor to leading retail brands. We combine practical industry experience with proven consulting methodology to deliver measurable results. We specialize in merchandising, supply chain and the omnichannel business model, integrating customer insights and the digital retail experience with strategy and operational improvements. Parker Avery helps clients develop enhanced business strategies, design improved processes and execute global business models.

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