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THOUGHT-LEADERSHIP REPORT

apparel

Building a Culture of Sustainability

From Beginning to End of a Product LifeCycle

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Customers demand to know where their clothing comes from, how it's made, and what kind of impact it has on the world. Today's software tools can help manufacturers provide visibility into those processes.

As apparel industry supply chains grow longer, more complex, and more globalized, the task of monitoring and controlling them becomes ever more challenging. At the same time, as concerns about global sustainability grow, public awareness of those supply chains increases. When newspapers report about unsafe working conditions in Indonesia, pesticide poisoning in Egypt, and microfibers in the oceans, many consumers want assurances that they aren't contributing to these problems.

Fortunately, the same tools and procedures that companies use to manage supply chains also offer opportunities to manage their social and environmental impacts — and to mitigate some of those impacts.

A number of companies in the outdoor segment of the apparel industry have played leading roles in addressing sustainability issues in their supply chains. These companies tend to be founded by and staffed by people who are deeply involved in outdoor sports, and for many of them, their interest in environmental issues stems from their desire to protect the wilderness they love. A large portion of their customer base shares the same values.

In 2007, several outdoor apparel companies that had separately started evaluating the impacts of their supply chains began collaborating with one another. They created the Sustainability Working Group within the Outdoor Industry Association (OIA) to develop a common index, a shared language and a benchmarking system. Eventually, the index (now known as the Higg Index) was handed off to the Sustainable Apparel Coalition and made available to the entire apparel industry.

The current iteration of the Higg Index includes an online tool at www.higg.org that helps companies go through a self-assessment process to evaluate their product life cycles. About 130 outdoor apparel companies and many companies from other industry segments now use the index. Smaller and newer companies that are not ready to use the index in a formal way can still use it as a reference tool. This helps them understand the types of issues they should consider and begin integrating awareness of social and environmental issues into their planning.

Beth Jensen, senior director of sustainable business initiatives for the OIA, explains that each industry segment — and each company — has its own sustainability issues and specific opportunities for improving its practices. As an organization, the OIA focuses on issues that are important to a wide range of outdoor apparel firms, such as chemicals used for water repellency and flame retardance. Individual companies need to identify first where their biggest gaps are, which represent their most obvious targets for improvement. In the end, however, they will find there are trade-offs. Sometimes, improving performance in one category results in worsening performance in another. Ultimately, Jensen says, there's no data-driven way to decide whether combatting drought, increasing biodiversity, reducing pesticide use, or ensuring a living wage is most important. "It comes down to a value judgment," she says.

Even if there is no one-size-fits-all solution — and no way to avoid doing any harm at all — sustainability initiatives are worthwhile for most companies. The social and environmental impacts of these initiatives can be significant, and so can their impacts on customer loyalty and on the bottom line. Drew Williams, director of operations at Point6, which makes high-performance socks for outdoor sports, comments, "Sustainability in supply chains always should have a positive impact on the business. We're not only reducing our liability for future concerns; we're also creating a culture that really sells our products." Point6's sustainability practices result

CRAIG HARRIS
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Q What's driving apparel companies to make sustainability a central goal?

HARRIS: There are many factors driving this trend. First is the shift in consumer behaviors. Consumers care about the story behind the product — they want to know where a garment was made and how the materials were sourced, and they want to be assured that no one was hurt in the process. They have expressed a willingness to pay higher prices for sustainably and ethically produced goods. They are increasingly concerned about effects on atmosphere, water, land, and food resources, and they have ethical concerns about labor and farming practices. Apparel companies are recognizing the opportunity to adapt to this consumer preference and instill better practices across their sourcing, supply chain, packaging, logistics, and labor practices.

Another key factor is compliance. Increasingly, local, state, national, and international bodies are enacting regulations governing raw materials sourcing, antislavery proposals and reduction of harmful chemicals.

Finally, companies that embrace sustainable practices may achieve higher price points and higher margins because their attention to sustainability differentiates their products.

Q For apparel companies that haven't yet begun to address sustainability, why should they? And what's the best place to start?

HARRIS: For a whole host of reasons, including customer acquisition, positioning in the marketplace, competitive pressures, getting out in front of compliance, taking a leadership role in preserving our ecosystem, and creating the right work environment.

A great place to start is at the executive level, with a defined mission statement and the establishment of core values. Another good first step is to join an industry association that advocates ethical and social responsibility, such as the Outdoor Industry Association or the American Apparel & Footwear Association. In addition, companies should consider signing up for the Higg 3.0 self-assessment tool to evaluate readiness and identify key areas of concerns in their businesses.

Q What should companies look for in an enterprise resource planning (ERP) solution to help them implement sustainable practices?

HARRIS: One of the most important elements of managing sustainability initiatives is traceability — the means to track a finished product from sourced raw materials, to the vendors that supply them, to the end consumer. In today's omnichannel world, companies should look for an ERP that uses a cloud-based, unified data model. By doing so, business owners can make quick decisions based on accurate data. For example, they can reduce end-of-season overstocks through inventory demand planning, reduce carbon emissions through optimal logistics planning and use order orchestration to consolidate shipments or transfer merchandise more efficiently. In addition, a cloud-based ERP system eliminates paperwork and unnecessary labor, achieving efficiencies that can directly impact the consumption of water, power and air resources.

An ERP system doesn't stop working once a product makes its way into consumers' hands, either. There are returns to collect, warranties to stand by, and recycling programs to manage. An ERP system that allows for end-to-end traceability helps establish and maintain the authenticity of the brand and provides an audit trail for government compliance.

An ERP system should also track the financial impacts of sustainability initiatives and the overall impact to the company bottom line. Having the ability to drill down from the general ledger to the transaction level is a powerful tool for companies to maintain traceability.

Lastly, an ERP should integrate seamlessly with CRM and commerce systems. This can help companies encourage consumer participation in innovative campaigns, such as recycling programs or rewards programs that encourage positive impacts.

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in higher-quality products — which allow the company to charge premium prices — and in strong connections with organizations that represent concerned consumers, such as the Appalachian Trail Conservancy.

THE LINKS OF THE CHAIN

With regard to the supply chain, the Higg tool asks questions about materials, packaging, manufacturing, transportation, care and repair, and end of use. For each of these steps, companies can assess their existing practices and consider options for improving them.

Point6 follows the same procedure of continually evaluating its product life cycle from beginning to end. Williams says he would advise any company launching a sustainability initiative to start with raw materials. Because Point6 mainly uses merino wool — the company's owners, in an earlier venture, were instrumental in bringing merino wool as a performance fiber to the outdoor industry — the product life cycle begins by ensuring that the sheep farmers, most of whom are in New Zealand, follow approved animal welfare practices. After shearing, the wool is combed, washed, dyed and spun using a plasma treatment that Williams calls "night-and-day different from every other merino wool treatment." The plasma treatment, which neutralizes the wool and makes it machine washable, uses little water or chemicals and runs off renewable energy. It prevents the possibility of leaking dyes into a river and incidentally, because there is less chemical coating on the wool, the performance of the yarn is improved. To minimize waste, scraps of wool left over from the process are felted and used to make woolen blankets, which are sold to the U.S. government for military and prison use.

Assessing design and manufacturing and processes is equally critical, Williams says: "It's important that designers design something that's not going to fall apart or be scratchy on the inside and ruin those raw materials. By making sure the toe and the heel are reinforced, a sock could last three to four times longer and add only a nickel to the manufacturing process." Point6's attention to design and manufacturing result in long-lived products with such vanishingly low return rates that the company can offer lifetime guarantees. Longer product lifetimes reduce environmental impacts (the product with the least impact is the replacement that doesn't have to be made) and also build customer loyalty.

In keeping with the "zero waste" strategy, when the mill produces irregulars, and on the rare occasions when customers return socks, the defective products are recycled into blankets that are donated to homeless shelters.

One area Williams sees as a future possibility for environmental savings is reducing the distance the wool travels. He would prefer not to ship wool halfway across the world, but today, he says, not enough high-quality wool is available close enough to Point6's mills (and markets) to forego importing New Zealand wool.

Any company that imposes standards on its vendors must enforce those standards through inspections and certifications. "Making those visits is vital," Williams says, explaining that verification is especially important for Point6 because its vendors are held to different standards for different customers.

ERP TOOLS FOR SUSTAINABILITY

Enterprise resource planning (ERP) software can be useful for ensuring both that vendors fulfill their obligations and that operational processes are as efficient and sustainable as possible. Point6 uses the Oracle NetSuite platform for order management and inventory. Williams points out that operational errors can be extremely resource intensive — for example, if the incorrect products are shipped, they must be returned and then replaced, essentially tripling transportation costs. Similarly, when schedules slip, products can't be shipped as planned and transportation costs also rise.

Using a cloud-based ERP such as NetSuite ensures that all employees and vendors, no matter where they are, have the same version of the truth; this level of transparency minimizes errors and helps keep production and shipping on schedule. Workflow and quality assurance steps can be built into the supply chain steps to enforce consistent performance. In addition, tracking scrap materials and defective products helps minimize the waste stream.

Full visibility doesn't just help avoid errors; it also enables companies to demonstrate that they are, in fact, following sustainable practices, because there is a verifiable chain of custody for every item. Every ounce of wool is traceable from the rancher to the end consumer (and beyond, for returned items).

A number of apparel companies use NetSuite for managing the vendor compliance process. For Point6, which has few products, few vendors, and a relatively simple supply chain, the compliance process is manual, but companies that have hundreds or thousands of vendors and facilities rely on software to make sure all compliance documents are up to date and outstanding labor and environmental issues are resolved expeditiously. (The newest version of the Higg online assessment tool is designed to integrate with user software platforms, which may further streamline the compliance process.) Using NetSuite or another ERP for this process allows companies to rank vendors' performance and to track individual vendors' performance over time. This enables them to assign more work to the most compliant vendors and less to the less compliant vendors — yet another way to become more sustainable each year. ■