

Fashionably Sustainable

The Growing Importance of Sustainability
in Fashion Supply Chains

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Executive Summary

With the rise of the conscious consumer, sustainability is fast becoming a necessary component of all supply chains. However, fashion especially has received significantly more consumer and media attention around sustainability issues than other industries.

In this report, we speak with Kaisa Tikk, Senior Global Sustainability Advisor at Maersk, to examine how fashion brands can best approach the need for sustainability in their supply chains.



Key Takeaways

- Consumers are increasingly focused on the sustainability footprint of products. Companies who want to maintain or increase brand loyalty will have to adopt more sustainable practices across their entire business, including their logistics.
- Visibility over supply chains is one of the biggest challenges in making supply chains more sustainable. Businesses need to integrate data from across their supply chain to identify weaknesses and areas for improvement.
- Accurate carbon footprint data can be used as a criterion to select and optimise transport options and maintain a balance between speed and sustainability.
- Brands should consider collaborating with other businesses and organisations, both inside and outside the sector, and look for logistics partners that can support their sustainability goals.

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The Growing Importance of Sustainability

Today, sustainability represents one of the biggest challenges for the fashion industry. No longer a mere superficial formality, the rise of millennial consumers, greater demand for transparency, and waning brand loyalty has seen sustainability evolve into a necessary and fundamental component for the industry, including global logistics.

According to one recent survey, 63% of consumers consider a brand's promotion of sustainability to be an important factor in purchasing fashion items.¹ Another survey found that some 85% of respondents thought it is important that fashion brands tackle climate change with 61% interested in learning about what fashion brands do to minimise their impact on the environment.² In the UK, four out of five female shoppers (82%) believe it is important that brands provide information on their environmental commitments and measures they are taking to minimise pollution in their supply chain.³

In response, many businesses are shifting focus in equal measure. According to the Maersk Sustainability Report 2018, more than 72% of large customers considered

sustainability parameters when managing their company's supply chain, with reducing CO2 emissions and low-carbon logistics specifically highlighted as key challenges for the future. This is also reflected in the steady increase of sustainability components in the RFPs that Maersk receives.⁴ Approximately 25% of customers have sustainability requirements for their logistics suppliers and, since 2014, the number of customer requests that refer to CO2 emissions has increased more than 30% year-on-year.

With a growing number of businesses demonstrating their willingness to invest in low CO2 solutions, Maersk is currently in close collaboration with more than 40 customers on different sustainability initiatives. This includes internationally renowned brands such as H&M Group and Levi Strauss & Co who are among several customers co-funding the development of Lignin Ethanol Oil (LEO), a tailored biofuel to be used as part of a future solution for sustainable shipping. Likewise, Heineken, FrieslandCampina, Unilever, DSM, and Philips were part of a biofuel trial that has since evolved into the first carbon-neutral ocean service – Maersk's ECO Delivery.



Take a look at our sustainability goals here:

<https://www.maersk.com/about/sustainability/our-sustainability-strategy>

¹ <https://www.mckinsey.com/industries/retail/our-insights/survey-consumer-sentiment-on-sustainability-in-fashion>

² https://www.fashionrevolution.org/wp-content/uploads/2018/11/201118_FashRev_ConsumerSurvey_2018.pdf

³ http://changingmarkets.org/wp-content/uploads/2019/01/IPSOS_MORI_summary_survey_results.pdf

⁴ <https://www.maersk.com/about/sustainability/highlights-2018>

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Interview



Kaisa Tikki
Senior Global Sustainability Advisor
Maersk

Why is sustainability so important for the fashion industry?

Fashion is a significant contributor in terms of carbon – a widespread report by the Ellen MacArthur Foundation in 2017 predicted global emissions from textile production would increase more than 60% by 2030. At the same time, the industry has been rocked by several high-profile cases of poor safety and labour practices at key suppliers. So, there has been a big need among the brands to act.

At the same time, we've seen a rise of an increasingly 'conscious consumer' with more power than ever before. Brand loyalty is shrinking, especially among millennials, and the advent of social media and the speed in which information can be shared means that customers are more informed than ever before. Collectively, this has had a huge impact on pushing sustainability to the top of the agenda.

That said, in many ways, fashion has been a leader compared to other industries and in the last few years there have been a lot of important steps taken around sustainability. For instance, more than 100 international brands have now signed up to the UNFCCC Fashion Industry Charter for Climate Action and this is a fantastic example of a strong industry-specific collaboration that reflects the importance of these issues for the sector.

Addressing the sustainability of supply chains has also been something of a natural progression for many companies. While businesses have first focused on fixing sustainability issues within their core business, now that focus is shifting to how businesses can better integrate sustainability into their supply chains, including logistics.

What sort of challenges are there in making supply chains more sustainable?

One of the biggest challenges is having the right level of visibility so that you can understand where the hotspots are in your supply chain. This means integrating data from across multiple different actors – from carriers, truckers, warehouses, ports, etc. Better visibility means having the ability to understand CO2 emissions across different dimensions and having a clearer picture of how to reduce your carbon footprint. It also means improved transparency over labour conditions and other sustainability issues at each node from supplier to market.

Businesses need to look for partners that can support their ambitions and provide the level of data integration that can give a full picture of what is going on at every stage. At Maersk, our aim is to measure CO2 on all of our transportation and support our customers with different tools such as Maersk Emissions Dashboard. This tool gives customers full visibility over the carbon footprint of their supply chain, vital information on where the hotspots are, and how to better achieve their targets. This can then be further enhanced through additional collaboration with customers and suppliers. So, as long as parties are willing to share necessary shipment data, then we can provide full visibility of what the emissions footprint is across any supply chain.

This level of visibility can be used to support businesses in setting and reaching their emissions targets. For instance, airfreight is clearly the biggest polluter among the various transport modes but is nonetheless the fastest. Having good visibility and access to supply chain sustainability data means that you can balance these competing needs of speed and sustainability by prioritising which products need airfreight, and which can use slower lead times.

Better visibility also plays into one of the other big challenges facing the industry which is resilience. Black swan events like COVID-19 have been a big eye-opener for just how vulnerable some supply chains have been to disruption. Increased visibility, however, can support a much greater degree of flexibility allowing businesses to pivot quickly in the face of large-scale disruption and reduce the impact on their revenue.

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What transport options are available to help businesses achieve their sustainability targets?

When choosing transport modes, the obvious dilemma is between the impatient consumer who wants the product right now and the conscious consumer that demands brands to be simultaneously sustainable. This has led fashion companies on a quest to find out how to retain overall speed to market while utilising the least polluting transport alternatives possible.

Again, visibility can play a key role in this. Detailed carbon footprint data can be used as a criterion when selecting different transport options so that the whole supply chain can be optimised to provide a better balance between sustainability and speed. For instance, shipping has traditionally been seen as too slow for fast fashion and so, part of the reason that fashion has a large carbon footprint is that there has been a high dependence on airfreight. Thus, reducing the reliance on air is an obvious target and, fortunately, an increasing number of low and zero-carbon transport options are becoming available.

Rail, for example, typically represents a 95%+ reduction on emissions compared to air and so models that can include a better mix of rail will drastically reduce the overall footprint. And the same is true for shipping which contributes around 2%-3% of global CO2 emissions. In order to address the impact that shipping has, Maersk is developing new types of low-carbon and carbon-neutral solutions. This includes the

use of biofuel, which is already available as an option for our customers. We have a net zero-carbon target for 2050 which means we are aiming to have commercially viable carbon neutral vessels on the water by 2030. Alongside other leading players in the industry, we also set up the Maersk Mc-Kinney Møller Center for Zero Carbon Shipping, a non-profit organisation dedicated to finding sustainable solutions to the global shipping industry.

While airfreight will continue to be an important component in fashion supply chains, with improved visibility over their carbon footprint, businesses can make more informed decisions about when they need to use airfreight and what the best mix of transport options is to meet both their sustainability goals and speed requirements. Since airfreight is considerably more expensive than other options, optimising the mix of transport modes can also help reduce costs. This is especially pertinent given the impact of COVID-19 where many fashion brands need to be much more cost-conscious than before.

Last-mile delivery is also very important and we expect to see electric delivery vehicles playing a much bigger role at this stage of the supply chain. At Maersk, for example, we've been looking into piloting low or zero-carbon solutions for intermodal transport (e.g. factory to port) in the near future. In addition, we've seen a lot more investment in solar panels in warehouses, distribution centres, and terminals and all these initiatives help reduce the carbon footprint of not only individual nodes, but also the supply chain as a whole.



H&M and Maersk ECO Delivery

One of the largest fashion and design groups in the world, H&M Group has the target of becoming climate positive by 2040. To help them reach this goal, we invited them to join the Maersk ECO Delivery initiative where we use sustainable biofuel from waste-sources, such as waste cooking oil, to power selected vessels. It is an initiative assessed by the Roundtable of Sustainable Biomaterials (RSB) Secretariat according to RSB standards.

"Maersk ECO Delivery has shown promising results in reducing the emissions from ocean shipping, and we expect much from the initiative. We have high goals, and we demand much of our service partners in logistics. Also, our customers expect us to make a real and substantial effort to prioritise sustainability." says Mats Samuelsson, Senior Vice President, Global Logistics at H&M Group, adding "It is important to us that Maersk has worked with the RSB to build a system that enables us to 'follow' the fuel from source to ship."

Both Maersk and H&M are also members of the Clean Cargo initiative – a business-to-business initiative developed by leading cargo carriers and their customers and dedicated to sustainability performance improvement in container transportation.

To learn more about the Maersk ECO Delivery initiative, please visit

<https://www.maersk.com/solutions/shipping/ocean-transport/eco-delivery>

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What else can businesses do to make their supply chains more sustainable?

Different transport options aside, businesses need to also consider how they can make their supply chains more energy-efficient overall. In logistics, this means not only using cleaner and more energy-efficient technologies but also considering how to optimise loads, reduce empty container moves, increase storage density, and generally maximise the output from the energy input that is going into their logistics. The idea is to make every ounce of carbon achieve more at every step of the way.

Businesses should also consider how to collaborate with other companies and organisations. Brands are not alone in trying to tackle these issues and there are a number of existing shared initiatives and programmes they can sign up to such as Clean Cargo, the Sustainable Airfreight Alliance, or the Global Logistics Emissions Council.

Sustainability in logistics is a cross-sector issue and fashion brands are not limited to collaboration within the fashion industry but can also look outside and work with other sectors to develop more efficient transport solutions with their shared logistics providers. This will not only help share the cost of these initiatives, but it will also provide a positive impact beyond the fashion industry itself.

What advice do you have for businesses keen to improve the sustainability of their supply chains?

The first step is getting the visibility and transparency over your supply chains so you understand where your hotspots are. Then, be clear on your targets. Work out what you would like to achieve and then work with your logistics partners to find out what they can do to help you achieve it. To that end, businesses should work more closely with their logistics partners in supporting their sustainability goals. Sustainability should be a part of every agreement and brands can, and should, demand services such as CO2 reporting and emissions reductions as a matter of course for their supply chains.

Lastly, businesses need to be prepared to invest. Sustainability does not come without a cost and to make the transition towards carbon-neutral supply chains takes a financial commitment. On the other hand, many of the solutions have cost-saving benefits that can balance this out in the long-term. Better visibility is not only going to help manage your carbon footprint but it will also strengthen your supply chain and make it more resilient. A more optimised mix of transport options means managing the costs of expensive airfreight.

Moreover, sustainability is no longer just a tick-box exercise and consumers are going to become less and less forgiving of brands that are not acting. As such, businesses need to weigh the cost of investing now against the possibility of their customers switching to more environmentally minded competitors.



For more on resiliency and other challenges that fashion supply chains are facing right now, see our report "Fashionably Resilient" featuring an interview with Josue Alzamora, Global Head of Lifestyle Vertical at Maersk.

ALL THE WAY

