



SUSTAINABILITY

Cultivating understanding to move
beyond buzz words and level up your
business practices

Table of Contents

What is sustainability?: *And why it matters now more than ever*

Up and to the Right: *Increasing demand for sustainable goods*

The Perfect Storm: *How COVID-19 has created the consumer of the future*

Traceability = Transparency: *How brands can move forward from here*





What is Sustainability?

And why it matters now more than ever

Sustainability is, in the simplest terms, the practice of avoiding the depletion of Earth's natural resources. For businesses, it means the ability to maintain a certain rate of consumption or growth. These definitions are not mutually exclusive.

The fashion industry is the world's second-largest polluter, next to the oil industry. Not only is the industry destroying the earth through practices that have long been standard business, but it is destroying the very resources it needs to thrive as a business.

While choosing more sustainable options in your business will ensure that the very resources you use will continue to be available, it will also mean that your business stays relevant in today's market. Long-term resource availability aside, it's in brands' best interest from a consumer marketing and retention standpoint to pay attention.

Sustainability Focuses Adopted by Fashion Pact Signatories:

Climate

- Ongoing implementation of principles of UN Charter for climate action
- Ensuring raw materials have lower climate impacts (i.e. organic cotton, recycled materials)
- Switching to renewable energy sources (wind, solar, etc.)

Biodiversity

- Mapping blueprint of the ways materials affect the environment from which they come
- Incorporating restorative and regenerative practices
- Shift supply chain away from ancient and endangered forests

Oceans

- Focus on plastic contamination in our oceans by eliminating unnecessary plastic packaging and ensuring the majority of plastic used is recycled content



What is Sustainability?

(Continued)

With the newest wave of consumers entering the workforce, the desire for sustainable goods and brand transparency is continuing to rise. This is not new, as the consumer search for sustainable businesses has been steadily increasing over the last decade, but companies and consumers alike are beginning to act in more organized and intentional ways. With the creation of the Fashion Pact (which brought together over 60 companies across the industry) and other coalitions around sustainable practices, corporate accountability is becoming not only more common, but a major selling point for consumers. Enter the COVID-19 crisis and consumer consciousness around this issue has jumped astronomically.

Consumers care about transparency and ethical business practices, and they're willing to pay for it. It's up to brands to figure out how to give it to them.



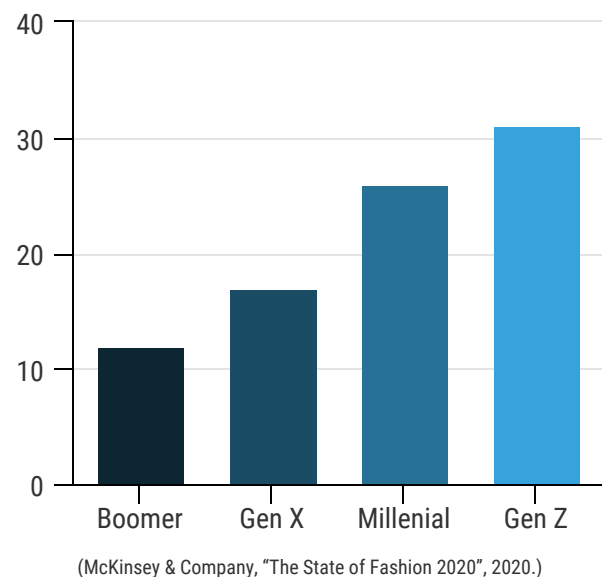
Up and to the Right

The increasing demand for sustainable goods

With each new generation, the public's desire for sustainable goods continues to grow. The Center for Sustainable Business "found 50 percent of sales growth among consumer goods between 2013 and 2018 came from sustainability-marketed products, despite the fact such goods account for just under 17 percent of the market." (Fortune, 2019).

This is a fast-growing segment of the industry, and younger generations are more likely to not only seek out businesses with sustainable goods, but also pay more for them. As Generation Z enters the workforce this year, it's imperative that brands invest in sustainability practices in order "to keep pace with expectations around sustainability for these next-generation consumers." (Forbes, "Sustainable Retail: How Gen Z is leading the Pack. 2020.)

% of consumers in 2019 who would pay more for sustainable products (by generation)



Recycling has long been a pillar of personal sustainable practices amongst consumers, and more recently, brands have been buying into recycling practices through "Upcycling"—repurposing old and used materials and product into new product for sale. Patagonia's launch of its ReCrafted brand is one example of this.

Up and to the Right

(Continued)

As buzzwords like “sustainability” and “upcycling” become tossed around more and more, public curiosity has undoubtedly increased. But in McKinsey’s report titled “The State of Fashion 2020”, they revealed many consumers express uncertainty around what “sustainability” exactly means or how they can find sustainable brands.

Brands like Reformation and Everlane, for example, are honing in on transparency to combat this issue. With extensive sustainability statements on their website, consumers can see percentage breakdowns of how much of the product they’re purchasing comes from sustainable means. Everlane’s focus on factory transparency, which includes photos and location information for each of their manufacturing plants, additionally breaks down the wall between consumers and the manufacturing process—an area that has consistently been the source of public scandal among headlines of unsafe working conditions, slave labor, and unfair treatment. The public dissemination of this information builds brand trust, and ultimately leads to consumer retention.

Practices like these, in addition to the work done by coalitions like the Fashion Pact, place an increased emphasis on corporate accountability. With more and more companies putting sustainability at the top of their goals, and publicly sharing the numbers to prove it, visibility around the brands who are not investing in this area will become apparent to consumers.

As the climate crisis wages on and public consciousness continues to expand, the companies that will be successful in the industry are those who will put sustainability at the forefront of their businesses.





The Perfect Storm

How COVID-19 has created the consumer of the future

The COVID-19 crisis laid the perfect foundation for the emergence of a more conscious and intentional consumer. Sustainability—something that was already increasing in consumer awareness prior to the pandemic—has become a major selling point for consumers since the onset of the pandemic.

Every segment of life since March 2020 has turned online. As commuting hours have steeply declined, and social events have come to a halt, we have more time on our hands to shop online, work online, and connect with people online. More people are sharing information they find online with their social networks rather than in person, which greatly broadens the pool of people who see that information.

“According to sustainable fashion industry statistics, the market is expected to...grow to

\$9.81 billion in 2025

and \$15.17 billion in 2030 at a CAGR of 9.1%.” (The Business Research Company, 2020)

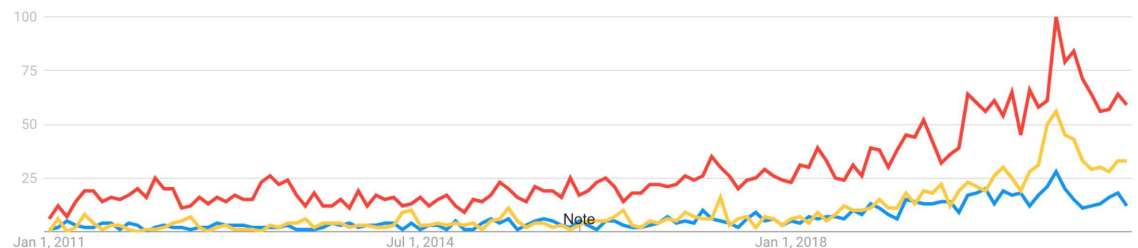
The pandemic has also bred a sense of collective responsibility. Not only have people banded together and halted their normal lives to slow the spread of COVID-19, but the increase in downtime has forced us to reckon with numerous social issues plaguing our society. We don't have our normal day-to-day activities to distract us from it anymore. These issues are glaring and, quite literally, demanding our attention.

The Perfect Storm

(Continued)

Below is a graph depicting the increase in various search terms on Google over the last decade. The sharp spike you see at the far right of the graph happens at the June and July 2020 mark. It is no coincidence that the increase in interest around sustainable companies and ethical fashion happens at the same time there was a national reckoning in the US around systemic racism and police brutality.

As public awareness around intersectionality expands, consumers are recognizing that these social issues are intertwined and cannot be disentangled from one another. The same consumers who are publicly engaged and searching for brands that are sustainable are also the ones who are looking for brands that support equality, fair working conditions and more



Red: "fast fashion" Yellow: "sustainable brands" Blue: "sustainable fashion"

While younger generations have already shown increased investment in shopping sustainably, the general public has become more aware of the ways our buying habits impact the world we live in. As the public turns its focus to a (hopefully near) return to normal, it's clear that the sense of collective public responsibility is here to stay. The public is asking for corporate transformation. How are you going to measure up?



Traceability = Transparency

How brands can move forward from here

Fashion's biggest issue could be your next biggest marketing tool.

So your company has decided to invest in a more sustainable business model? One of the biggest logistical issues businesses face is with supply chain visibility. If you need to provide the public with quantifiable data, how can you identify what portion of your product is made from sustainable practices and material?

"Fashion's sprawling and opaque supply chains mean that identifying and sourcing deadstock fabrics is not always straightforward. Oftentimes material will sit in far-flung factories with little visibility on what is available." (McKinsey & Company, "The State of Fashion 2020", 2020.)

Vi3's suite of tools allows you visibility into your supply chain, as well as ownership of the data that will help you track your progress on your company's personal goals. Vi3's technology imparts hyper-unique QR codes onto materials throughout every step of the process, allowing you full visibility into where your materials are coming from, how much material you have, as well as the final product count coming from suppliers. This data allows you to accurately trace what portion of your product is made from sustainable materials, as well as which settings your products are being assembled in. Throughout the entirety of your manufacturing process, you will know how much material is being sourced from the suppliers you choose, and how many resulting units are being produced, so that any quantity discrepancies can be flagged and the amount of supply chain contamination can be measured.



Steps companies can take to become more sustainable:

- Define your own sustainability targets
- Development partnerships with sustainable suppliers and manufacturers
- Increase supply chain traceability through use of Vi3's tools
- Invest in transparency and consumer education by sharing progress and supply chain information

Traceability = Transparency

(Continued)

Vi3 helps brands regain control throughout their entire manufacturing process, so that a licensing business decision does not harm the brand in the long run. With **V Source**, brands have full visibility into where products are being sourced from. Vi3 will provide the geolocation of where each factory is located. With **V Enforce**, Vi3 will give you full visibility into how many products are manufactured, as well as when and where they are shipped. Finally, with **V Connect**, Vi3 lets brands control the digital messages that consumers see when connecting digitally to the product.

As the Fashion Pact noted in their 2020 report, “measurability will be key, in order to document progress and shortfalls.” Without quantifiable data, you won’t be able to adequately comply with industry standards, build brand trust, or fully leverage your sustainability efforts into marketable information. Our suite of tools eliminates the guesswork, puts you in control of your processes and data, and ensures your brand integrity remains upheld throughout it all.