

Sustainability in the Fashion Industry

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Introduction

Declining costs and ever-changing styles have created a superior environment for the fast fashion industry which provides consumers with the latest, trendiest styles. In more recent years, the fashion industry, more specifically, fast fashion, has proved to have negative social, economic, and environmental effects. Growing concern about environmental issues is reflected in an increase in consumer demand for green products, which has placed sustainability at the forefront of research initiatives and policy effects.

This study will analyze the impact of sustainability in relation to company yearly sales. By using various sustainability ratings, the analysis will offer insight into whether being a sustainable fashion brand yields greater revenue than fashion companies who rate poorly on various sustainability indexes. The data will focus on 38 different fashion companies, 24 of which are prominent fast fashion brands.



Literature Review

Kostadinova (2016): An increased concern about environmental issues is reflected in an increase in demand for eco-friendly fashion products and puts upward pressure on companies to conduct business in a socially responsible way.

Knošková and Garasová (2019): Consumers cannot link the high perceived quality of fashion products when shopping in fast fashion stores with achieved low level of durability while wearing.

Brewer (2019): The slow fashion movement provides an alternative paradigm to the fast fashion business model, enhancing sustainability. The world's top 20 countries according to revenue have adopted some type of corporate social responsibility.

Research Question

Do fashion companies rating high on various sustainability indexes yield higher yearly revenues than fast fashion brands?

Hypothesis: Sustainable fashion companies, those rated highly on various indexes, yield greater yearly revenues than fashion brands rated poorly, fast fashion brands.



Variables

Variable	Definition
Company Yearly Sales (Y)	The total amount of income earned by a company during a fiscal year. It represents the company's financial performance and is calculated by adding up all the revenue generated from the sale of products or services, as well as any other sources of income.
Policy & Commitment	Ranks fashion brands on social and environmental policies, including the implementation of those policies in day-to-day business.
Tracking & Traceability	Ranks fashion brands on the level of transparency within its list of suppliers, from manufacturing to raw material level.
Know, Show, Fix	Ranks fashion brands on the implementation of supplier policies, including how companies fixes problems within supplier facilities.
Planet	Examines companies' environmental policies relating to use and waste management, commitment to circularity, and deforestation.
People	Assesses how well address their impact on workers across its supply chain, including policies on child labor, worker safety, freedom of association, etc.
Animals	Evaluates brands' animal welfare policies by considering wool use, leather, etc., as well as companies' commitments to
Age	The age of a company
Fast Fashion	Indicator for Fast Fashion brands

Empirical Framework



$$\begin{aligned} \ln(\text{Revenue})_i &= \beta_0 + \beta_1 \text{PolicyCommitment}_i \\ &+ \beta_2 \text{TrackingTraceability}_i + \beta_3 \text{KnowShowFix}_i \\ &+ \beta_4 \text{Planet}_i + \beta_5 \text{People}_i + \beta_6 \text{Animals}_i \\ &+ \beta_7 \text{Age}_i + \beta_8 \text{FastFashion}_i + \varepsilon_i \end{aligned}$$

Fashion companies' yearly revenue and various sustainability ratings is analyzed using a cross-sectional OLS regression from 38 companies. The data used as measures to gauge a company's sustainability efforts are from 2019. Awareness regarding a company may not translate immediately in sales, as consumer knowledge may lag behind issues related to production methods. Key variables include three Fashion Transparency ratings related to Policy & Commitment, Tracking & Traceability, Know, Show, Fix, and three Good on You scores in relation to Planet, People and Animals. A dummy variable of fast fashion, 0=No, 1=Yes, indicates whether the company is classified as part of the fast fashion industry. For the hypothesis to be supported, the sustainability ratings must have a significant negative relationship with being a Fast Fashion brand.

Regression Results

Variables	Regression 1
Policy & Commitment	3.541** [1.671]
Tracking & Traceability	0.423 [2.309]
Know, Show, Fix	-4.923 [3.288]
Planet	1.730 [2.333]
People	1.397 [1.877]
Animals	-2.315 [2.483]
Age	-0.00148 [0.00601]
Fast Fashion (0=No, 1=Yes)	1.080* [0.538]
Constant	20.67*** [1.562]
Observations	38
R-Squared	0.299

Standard errors in brackets*** p<0.01, ** p<0.05, * p<0.1
Sources: *Companies ranked by Market Cap*, Fashion Transparency Index 2019, Good on You

Conclusion & Further Research

Conclusion: For the most part, being a sustainable fashion company does not yield higher revenues than fast fashion brands.

- The percent change in revenue following a 1% increase in Policy & Commitment is 3.541%.
- Being a fast fashion company is associated with a 1.080% increase in revenue.

Further Research:

- Explore consumer tendencies when purchasing fashion products

