MKTG 8604

New Frontiers in Retailing: Magic and Logic

CAN FASHION BE PROFITABLE AND SUSTAINABLE?

Topic: Profits with Purpose in the Fashion Industry

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Executive Summary

<u>*Problem Statement*</u>: Are ESG claims and commitments in the fashion industry a profit driver or hindrance?

- This paper addresses the debate on whether ESG commitments conflict with the goal of increasing profits in the fashion retail industry.
- It explores the impact of ESG on profitability through the three theses listed below:

I. *Thesis I*: Are retail companies that make ESG-related claims growing faster than those that don't and are consumers willing to pay more for products that are "doing good"?
    - Products that make ESG-related claims have experienced 28% in cumulative growth over the past five years, relative to 20% for products that make no such claims.
    - As for CAGR, products with ESG-related claims touted a 1.7 percentage point advantage over products with no such claims.
        - Brands that prioritize sustainability, like Rothy's & Reformation, have seen explosive growth.

II. *Thesis II*: Do the new technologies for sustainable fashion drive profitability?
    - The development of new materials and processes, such as adopting recycled and upcycled textiles, and leather alternatives, are gaining widespread momentum, though it remains unclear which, if any, of these technologies will cause an industry paradigm shift.
        - We predict that if fashion companies want to achieve long-term growth and appeal to increasingly stringent consumer expectations, they must continue to invest and innovate in these materials and technologies until they reach economies of scale and become more profitable and accessible.

III. *Thesis III*: Does a diverse workforce yield more profitable results?
    - Gender-diverse companies are 25% more likely to financially outperform laggards (an increase from 15% in 2014), while ethnic-diverse companies are 36% more likely to financially outperform laggards (slightly higher than 35% in 2014).
        - From 2014 to 2019, the least-diverse companies became even less likely to outperform diverse rivals, dropping from -9% in 2014 to -19% in 2019.
        - Retention and talent develop at the senior management level continues to be an industry pain point with much room for growth.

Introduction

The rising push for companies to commit to environmental, social and governance (ESG) goals has led to a topical debate in the retail landscape as to whether these commitments can work in unison with goals to increase profits or whether they are conflicting goals altogether. Since the idea of the corporation began in ancient Rome, their success has been measured through numerical figures such as sales, profits, and stock price. In a study by the Ellen MacArthur Foundation, a group advocating for circular fashion, it is estimated that under its current trajectory, the fashion industry will use up over a quarter of the world's carbon budget by 2050. Thus, eyes are on fashion companies now more than ever to make actionable changes regarding their ESG commitments.

Investors, customers, and other stakeholders are increasingly demanding that companies prioritize sustainable and responsible business practices. While some companies may view ESG commitments as a burden that simply allows them to level out the playing field, recent research suggests that such commitments can actually have a positive impact on a company's profitability and even provide them with a competitive advantage. Drawing on case studies and data-driven research, this paper aims to showcase that prioritizing ESG can act as a profit driver for retail companies, specifically in the fashion industry, by attracting and retaining customers and employees, reducing costs, and managing risk. Though more research is still necessary to definitively draw a direct causal link between ESG commitments and increased profits, our aim is to demonstrate that there is likely to be a strong correlation between the extent to which companies prioritize ESG efforts and increasing profitability in the coming years.

Though the scope of ESG is broad and continuously expanding, we will explore the impact of ESG on profitability through three lenses we believe to be most prevalent in today's economy:

I. *Are consumers willing to pay a price premium for fashion companies that they believe are "doing good"?*
II. *What impact do new technologies for sustainable fashion have on profitability?*
III. *Can fashion companies lower costs through actively promoting DEI initiatives in ones' workforce through increased employee retention and reduced turnaround?*

Per S&P Global's ESG Industry Report Card, the key driver of the retail industry's exposure to environmental and social risks are customers' preferences, perception of brands and demographics as most products in the retail industry, especially within the fashion industry, are discretionary. Thus, we will first examine changing customer expectations and preferences towards ESG-focused fashion companies. Next, we will explore the challenges and successes that new technologies and innovations in the fashion industry are facing to reduce a company's carbon footprint and lead to a rise in profitability. Fashion technology is growing at a faster rate than ever before and although further investments are needed to make these innovations scalable, capitalizing on these improvements will be a key determining differentiator between companies who are successful and profitable from those who are not in the coming years. Under both the social and governance umbrellas of ESG, employee retention is a global issue that is becoming increasingly prevalent across every industry. Particularly in the US, the Job Openings and Labor Turnover Survey noted that 3 to 4.5 million employees quit their job every month. Furthermore, a job exit costs an employer an average of 33% of an employee's yearly salary. Therefore, lastly, we will showcase how company DEI initiatives can positively impact employee retention and thus fashion companies' bottom lines.

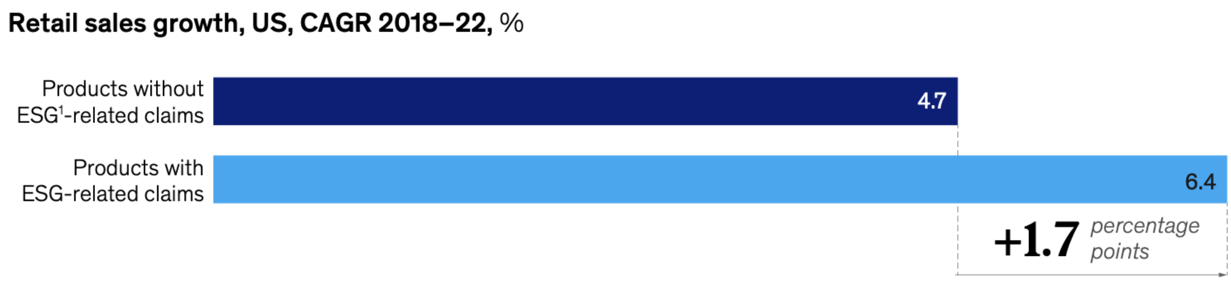
Thesis I - Are retail companies that make ESG-related claims growing faster than those that don't and are consumers willing to pay more for products that are "doing good"?

One of the most discussed and debated consumer trends over the past decade has been people's desire to consume more responsibly, often stating that they would be willing to pay more for brands and products that they believe are doing good from an environmental, social, or governance standpoint. For example, nearly 80% of young adults said they would spend more on a product if its company had a positive impact on the environment. However, while stated preferences suggest that consumers are willing to pay more for sustainable options, many executives report that they are unable to generate enough demand for these products when actually launched. While there seem to be conflicting claims from both perspectives, a recent McKinsey and NielsenIQ study, which tracked actual spending behavior rather than stated preferences, revealed that products which feature ESG claims have experienced greater cumulative sales growth over the past five years than products which make no such claims, suggesting that consumers do care about sustainability and are willing to back it up with their wallets. Brands such as Reformation and Rothy's that prioritize sustainability efforts and have positioned themselves as leaders in the space are two examples of companies with ESG-related claims that have driven continued growth.

ESG Claims, Commitments, and CAGR Growth

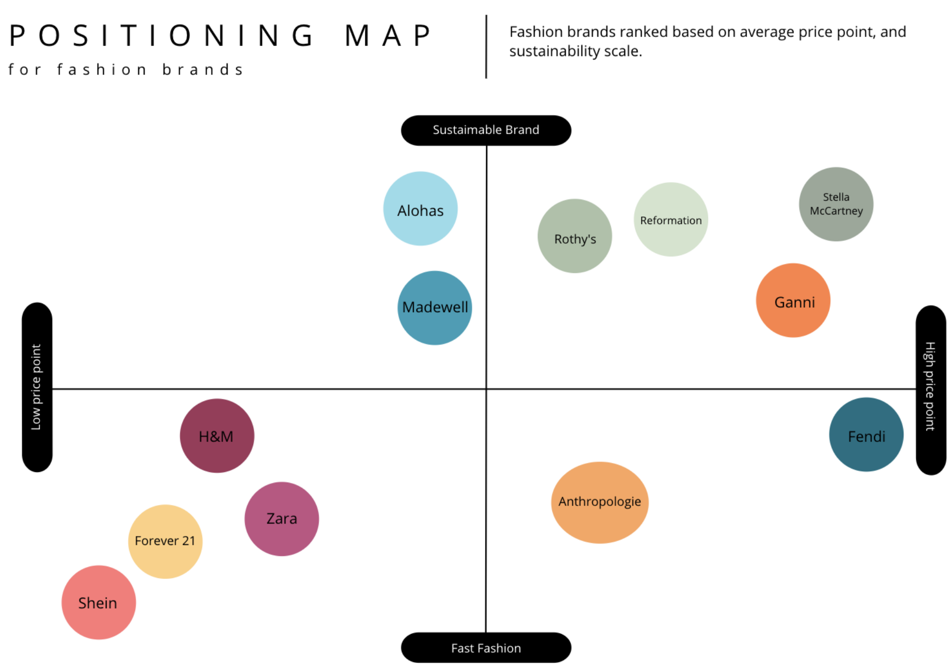
While there have been disputes about consumers' stated preferences about sustainability versus their actual spending habits, a study conducted by McKinsey and NielsenIQ in February 2023 showed that consumers are actually willing to pay for products that have positive environmental, social, and governance impacts. The study analyzed five years of US sales data, from June 2017 to June 2022, covering 600,000 individual product SKUs and 44,000 brands across 32 product categories. NielsenIQ's measurement capabilities enabled McKinsey to identify 93 different ESG-related claims, such as vegan, eco-friendly, and biodegradable, to categorize products that seek to make positive impacts. The study found that products that make ESG-related claims have experienced 28% in cumulative growth over the past five years, relative to 20% for products that make no such claims. As for CAGR, products with ESG-related claims touted a 1.7 percentage point advantage over products with no such claims, shown in Exhibit I.

Exhibit I



The research showed that a wide range of consumers across incomes, life stages, and geographies are buying products with ESG-related labels, suggesting that an interest in sustainability is no longer limited to certain demographics but is gaining widespread popularity and adoption. Exhibit II below visualizes the competitive landscape for select fashion brands based on their ESG claims and commitments, and their average SKU price points. Though the ratings below are subjective based on the research conducted in this investigation, there seems to be a general industry consensus that brands adhering to higher sustainability standards and claims also skew higher in their average prices.

Exhibit II



Company Examples

Taking a closer look at one of the brands featured in Exhibit II, Reformation has integrated ESG efforts into its company DNA. This Los Angeles based clothing company aims to create high-quality and trendy pieces while minimizing its environmental impact, as shown by the fact that it's a 100 percent carbon neutral company (per their website). However, while Reformation's mission is to minimize its environmental footprint, the price point of its clothing reflects the costs of these efforts. According to a report published by EDITED, the primary drivers of its higher price points are its sustainable fabrics and packaging. Reformation uses sustainable fabrics as much as possible, such as Tencel, recycled polyester, and deadstock fabrics while minimizing water and energy use in its production process. Furthermore, the company ships its products in recycled and biodegradable packaging, and uses electric vehicles for local deliveries in some cities. Despite Reformation's higher prices, the company has seen sustained growth over the past several years. Reformation's success in merging "California cool girl aesthetic" with environmental responsibility drove sales growth of 60% year-on-year between 2014 and 2019. In 2019, Reformation had $150 million in sales and was acquired by Permira Advisers.

Rothy's is another example of a fashion brand that prioritizes sustainability and has demonstrated sales growth throughout the brand's lifetime. Rothy's specializes in creating stylish and comfortable footwear made from recycled plastic water bottles using a unique 3D knitting technology that creates a seamless and durable shoe with minimal waste. The company claims to have repurposed over 12 million water bottles during its manufacturing process. Further, the insoles are made of recycled foam, the rubber soles are carbon-free, and the adhesives used are non-toxic and vegan. Finally, the packaging the shoes come in is made from post-consumer recycled materials and is biodegradable. The company produces five different types of shoes, each of which have their own unique twists that speak to each individual consumer. Given Rothy's efforts to minimize its environmental impact, the company sells its flats at a slightly higher price point than competitors. Its five styles sell from $125 to $165; however, the company has seen sustained demand and growth for its products. Rothy's sold over 1 million pairs of shoes in 2018 and added almost 450,000 customers in 2020 despite the pandemic. In December 2021, the company that owns Havianas took a 49.9% stake in Rothy's, valuing the company at $1 billion.

Concluding Analysis

From Reformation to Rothy's, brands have started to shift toward offering products that have positive environmental and societal impacts. While there is evidence that these companies with ESG-related claims have experienced greater growth than those companies that have made no such claims, which suggests that customers are prioritizing sustainability, there are a myriad of other factors that could be influencing consumer decisions. A company's product quality, branding, marketing, in addition to its ESG-related efforts, are inextricably linked and are together responsible for driving growth. In order for companies to quantify how much consumers are actually valuing sustainability, further research and testing needs to be conducted. Consumer surveys have revealed that customers claim that they are willing to pay more, but A/B testing would conclude if they actually pay more for sustainable products. Price is still a guiding parameter for many consumers' decision making processes, so it remains to be seen if newer generations will actually prioritize ESG claims over price-sensitivity. However, by better understanding how consumers hierarchize sustainability relative to other features, and marginally how much more they would pay, companies could increase profitability while minimizing their environmental impact.

Thesis II - Do the new technologies for sustainable fashion drive profitability?

The fashion industry's focus on pursuing sustainable breakthrough technologies that will replace environmentally degrading materials and processes is far from being scalable, as billions of dollars in investments and long-term commitments are still needed to drive significant change. Though it is clear that industry change is coming, and that the development of new materials and processes, such as adopting recycled and upcycled textiles, and leather alternatives, are gaining momentum, deciphering which, if any, of these materials while garner sufficient traction to catalyze a sustainable and profitable industry paradigm shift remains unclear. Research spearheaded by the Global Fashion Agenda (GFA) and McKinsey indicate that decades of global expansion have complicated the industry's supply chains allowing lower-cost but environmentally degrading materials to supersede locally-sourced, organic ones, as dictated by insatiable consumer demand for cheaper, instantly available fashion. The biggest advantage that incumbent materials have over their sustainable alternatives is price, and yet economies of scale will not be reached until there is greater buy-in from industry leaders willing to commit to less harmful materials, which is unlikely to happen until these become more price-competitive.

Recycling and Upcycling

Taking a closer look at the recycling and upcycling of textiles, designers have pursued long-standing efforts to upcycle new clothes and reduce waste generated by the industry. According to research conducted at the UAL, London College of Fashion's Centre for Sustainable Fashion, there is overwhelming consensus that the concept of circularity is becoming increasingly tangible and that the use of recycled fibers is one of four innovation-led disruptions likely to become prevalent throughout the industry by 2025. In fact, reworking existing garments or fabrics typically does not require cutting-edge technology and at its simplest, upcycling represents relatively low-hanging fruit in fashion's quest to reduce its impact; huge amounts of waste are generated in the manufacturing process and reducing that can be relatively easy and bring significant economic benefits. There seems to be significant buy-in from industry leaders on this last point, as seen by the below examples in Exhibit III:

Exhibit III

Type of Technology	***Company Example***	***Impact***
Recycling	In 2017, **Burberry** partnered with luxury brand Elvis & Kresse to repurpose its leather offcuts into handbags and other accessories.	In **five years** of partnership, they have repurposed over **120** tons of leather off cuts from Burberry, sold by Elvis & Kresse.
Upcycling	**Eileen Fisher's** *"Waste No More"* initiative speaks to its commitment to circularity via an upcycled capsule made from damaged clothes. Another of its capsules, *"Renew"*, is a second-hand platform where they sort clothes into three categories: 1. Near-perfect condition 2. Slightly worn, flawed or damaged pieces 3. Too damaged to repair	In April 2023, Eileen Fisher announced that it had taken back over **2 million** garments to be resold, donated, or remade into new designs. Both "Waste No More" and "Renew" amount to just **5.4%** of everything Eileen Fisher has made in the last 39 years.

These examples illustrate how recycling and upcycling can lead to economic gains for companies by leveraging garments and textiles that would otherwise be discarded. That said, both of the companies mentioned are still in the initial stages of incorporating recycling and upcycling into their sales strategies, and these still comprise a small percentage of their overall sales.

<u>Limitations Explained</u>

Even so, these processes can be far from simple and oftentimes they are very time intensive. According to the BoF article *Can Fashion Clean Up Its Act?*, Patagonia's Director of Corporate Development, Alex Kremer, who oversaw the ReCrafted project, stated: "It takes a crazy amount longer; it's a much more daunting process to see a pile of jackets and to make something out of them than out of a roll of fabric." The ReCrafted line was launched by Patagonia in November 2019 with a select 10,000 pieces, with varying price points contingent on garment category, and in a process that took far longer to deploy than any of its previous capsule collections. The limitations do not end there, as on a logistical level, fashion's complicated supply chains don't make it easy to identify and source deadstock fabrics and this has historically been a laborious and manual process. Additionally, the process for upcycling complete garments is also more difficult than upcycling fabrics because, as explained by Eileen Fisher's Chief Sustainability Officer, "Fabrics that contain a wide variety of fibers can complicate the life cycle of a garment." While these industry initiatives show great promise, they are still far from being scalable as they would require brands to rethink the way they design clothes and roll out take-back schemes that give them access to post-consumer waste.

Alternative Leather Solutions

Moreover, the adoption of leather alternatives is another promising industry initiative that has sparked ample debate. Per BoF's 2022 Sustainability report, Terms such as "vegan leather" and "plant-based" have been attributed to materials with vastly different compositions, most of which have primarily been made of plastic and even fossil-based content. That said, there has been mounting industry pressure to eliminate greenwashing claims and push brands towards greater transparency. Two examples of sustainable leather solutions that are gaining widespread industry traction as best-in-class are:

- **Vegea:** Plant sourced solution composed of water-based polyurethane. It's currently being adopted by brands worldwide such as Calvin Klein, H&M, Diadora and Bentley.
- **Mycelium:** The substance in the root structure of mushrooms, which has the look and feel of leather. This material is used by mass market fashion players such as Adidas and Lululemon, but also in the luxury sector by brands such as Stella McCartney, Gucci, and most recently, Hermès.

While some fashion companies do a confusing job of explaining these biotech solutions in layman's terms, Pangaia is an industry leader in the sustainable fashion space that is breaking its technology down for consumers in a digestible manner. For instance, they spent half a page on their site just to explain vegea and its composition in a way that consumers can understand what they're buying. Yet other brands have not been as successful in using less harmful materials, such as Telfar's popular "Bushwick Birkin," made from a blend of polyester and polyurethane to make it more affordable albeit environmentally damaging. Though the brand has stated that it is exploring other alternatives, this situation illustrates that these new materials are still more costly than their predecessors.

For larger brands that are further along in the adoption of alternative leather materials, there is hesitation stemming from both a gauge of consumer appetite and product readiness for wider commercialization to eventually make materials such as vegea or mycelium more mainstream. BoF's article, "Would You Buy a Mushroom Handbag?", poses the poignant question of how brands, particularly luxury players, will message this shift to consumers in a manner that will not make these materials seem as a compromise, by keeping the touch, feel, and wearability on par with the highest standards. Therefore, progress in this area is slow but it is steadily coming, as evidenced by the growth in market size, which is expected to reach $2.2 billion by 2026, according to the nonprofit Material Innovation Initiative. Even the established leather-goods powerhouse Hermès is daring to break tradition and experiment with mycelium, the biodegradable material used to create mushroom leather, via its partnership with start-up MycoWorks, further solidifying the belief that there is great untapped potential and increases in investments that are imminent in the alternative leather space.

Concluding Analysis

Therefore, new technologies for sustainable fashion are not driving short-term profitability for companies in the fashion industry, but rather they are becoming paramount for their long-term growth strategies. If companies strive to stay competitive in a market where consumers are becoming increasingly cognizant of the results of environmentally degrading products, and they are willing to pay a premium for their sustainable counterparts, and government legislature is becoming further stringent, companies must continue to invest and innovate in these technologies until they reach economies of scale and become more profitable. Failure to do so will likely render these players obsolete in the years to come. That said, it will take visionary leadership, imagination and collaboration, along with firm commitments and financial investments, for the fashion industry to fully leverage new technologies and processes that will create a much needed paradigm shift in the production of garments and textiles.

Thesis III - DEI - Does a diverse workforce yield more profitable results?

A growing amount of research suggests that companies investing in employee DEI efforts tend to financially outperform companies that do not prioritize DEI. McKinsey's *Diversity Wins: How Inclusion Matters*, presents research to support this. This 2019 report also makes clear that gender and ethnic diverse leading companies have "also made real strides in creating an inclusive work culture" (page 32, *Diversity Wins: How Inclusion Matters*), suggesting that inclusion and retention efforts lead to higher profitability. However, McKinsey's dataset includes companies from a myriad of industries, with Financial Services, Technology, and Healthcare leading the charge in diversity and inclusion/retention efforts. Moreover, there's evidence of why diversity has a positive impact on profits. A Harvard Business Review (HBR) article ("The Other Diversity Dividend") describes the results of research studying the impact diversity in the Venture Capital (VC) industry, a largely homogenous (white, male, and harvard-educated) "guinea pig" of measuring the profitable impacts of diversity because venture capitalists work closely with entrepreneurs as influential board members of these companies. The research found that when a venture capitalist and an entrepreneur differed in "endowed traits" (gender and/or ethnicity, eg) and/or in "acquired traits" (education, eg), the pairing yielded higher success rates in IPOs and acquisitions than their homogenous-paired counterparts. The article states a reason for this:. Projects, at the beginning, were equally promising regardless of the pairing. However, later in the process, decision-making became more impactful as the venture capitalist, together with the entrepreneur "[helps] shape strategy, recruitment, and other efforts critical to a young company's survival and growth. Thriving in a highly uncertain competitive environment requires creative thinking in those areas, and the diverse collaborators were better equipped to deliver it". In essence, diversity leads to more creativity and better decision-making, keeping an enterprise abreast of competitiveness and yielding higher profits than their less-diverse counterparts. In order to deliver higher profits for shareholders, fashion firms can heed the examples from these other industries and implement strategies to increase diversity..

Fashion's Playing Catch Up

In particular, Fashion has to play catch up with retention efforts. The *State of Diversity, Equity & Inclusion in Fashion,* a report by CFDA and PVH corp, offers insight into apparel companies' current state of inclusion, and how they can improve the retention of diverse employees. For example, these noteworthy observations from the report help explain how the Fashion industry is behind in upholding workplace equity:

- ***Observing Bias:***
    - **50% Black employees** believe promotions are fair.
    - **26%** of **employees of color** expressed their race and ethnicity had a negative impact on their promotions (vs 1% of white respondents). This is pronounced among women of color.
    - **23%** of **Black employees** have reported observing bias in the workplace.
- ***Access to Mentorship and Advocacy:***
    - Employees of color consistently report **lower levels** of mentorship and advocacy, especially among Asian (32% vs 47% for both white and Black employees) and Latinx employees (28% vs. 44% white employees).
- ***Workplace Safety***:
    - Black (67%) and LGBTQ+ (65%) employees report the highest rates of experiencing **microaggressions**, primarily around competence.
- ***Compensation:***
    - Compensation also plays a role: "**37%** of Black employees report having to supplement their income vs. **23%** of white employees,"
    - Black employees, however, cite needing to supplement parental support with additional income from freelancing and the gig economy (20%). All of this points to inequity of compensation existing across races and ethnicities.

In essence, the fashion industry is arguably one of the highest employers of women and minorities, yet diverse employees are disincentivized to stay in their jobs given how much room for improvement there is across all aspects of their workplace conditions.

The Chief Diversity Officer

While fashion companies are making strides in the right direction to address the aforementioned issues, industry change is progressing slowly, as evidenced by the fact that the role of “Chief Diversity Officer" within fashion is relatively new. According to Russell Reynolds Associates, “of the 47 percent of S&P 500 companies with chief diversity officers, 63 percent were appointed within the past three years.” The intent is for this senior role to be focused on creating a better workplace and attracting and retaining talent, by managing the inclusion and development of a diverse workforce with company-wide initiatives honing in on race, ethnicity, sexual orientation, and gender, according to an analysis by Mintel. Macy’s Chief Diversity Officer, for instance, is hosting unconscious-bias training and establishing measurable performance indicators, such as reaching 30% minority representation at the senior director level by 2025. Others, such as Prada, are establishing DEI councils that sit outside of the brand, to advise on topics such as talent development and retention. Yet much progress remains to be made. As Aurora James, creative director of Brother Vellies and founder of the 15 Percent Pledge, which has challenged brands to commit 15% of their shelf space to Black-owned businesses, stated in an interview with WWD, “I think the fashion industry has been somewhat responsive but the real progress will be seen in a year or so.” Fashion businesses are in the spotlight and it is time for them to move away from performative optics, which gives the illusion of change but does not implement it at a deeper level, and embrace radical transparency, which evokes a call to action on highlighting the work that still remains to be done to achieve a more equitable fashion community.

Concluding Analysis

In short, the above cited issues tend to result in diverse employees looking for a job elsewhere outside of the fashion industry. By addressing these concerns, fashion companies can improve retention among diverse employees, and ultimately see their companies financially outperform peers that do not focus on diverse employee retention. The CFDA report suggests that companies can do the following in order to increase retention efforts: Develop equitable senior leadership pathways; Provide support for new managers; Formalize a mentorship program and Create “reverse mentorship program”; Reduce instances of being the “only”; Implement a feedback structure; and Track leadership sponsorship.

Conclusion

Fashion companies that prioritize ESG considerations are not only doing what's right for the planet and society, they are also positioning themselves for long-term success and profitability in today's economy. This report explores the impact of environmental, social, and governance (ESG) considerations on corporate profitability, focusing on three key areas:

consumer willingness to pay a premium for companies that prioritize ESG, the development and scalability of sustainable fashion technologies on long-term profitability, and the potential benefits of promoting diversity, equity, and inclusion (DEI) initiatives for employee retention and reduced costs. Moreover, changing customer preferences and perceptions are driving exposure to environmental and social risks in the retail industry, particularly in fashion, which is becoming increasingly discretionary. The research then highlights the headwinds and tailwinds that are influencing the potential for sustainable fashion technologies to both reduce a company's carbon footprint and increase profitability in the long-term. Finally, the report explores how DEI initiatives can improve employee retention and reduce turnover costs, ultimately contributing to a company's bottom line. Overall, this analysis suggests that companies that prioritize ESG considerations and effectively leverage innovative technologies and DEI initiatives can position themselves for success and profitability in the coming years. As BlackRock's Chief Executive–Larry Fink–wrote in his annual letter to business leaders in 2021:

> *"Companies that prioritize ESG considerations will be better positioned to navigate the risks and opportunities of a rapidly changing world and create value for shareholders over the long term."*

Key Assumptions

There are several assumptions that should be taken into consideration when thinking about the growth of companies that make ESG-related claims and whether or not consumers are willing to spend more for companies that are prioritizing sustainability. First, there is an assumption that regulation will continue to evolve to promote sustainable best practices. For example, there are several pieces of legislation in the EU that are currently seeking to overhaul the fashion industry by 2030 under the overarching Strategy for Sustainable Textiles. The strategy aims to tackle fast fashion, textile waste, and the destruction of unsold textiles in a move toward more sustainable practices. As regulation changes in order to mitigate climate change, we would expect positive tailwinds for companies that prioritize sustainability. Second, there is an assumption that consumers will continue to be informed about climate change, unfair labor practices, and other issues within the fashion industry to bolster their desire to consume more sustainably and responsibly. If consumers are not aware of the problems within the industry, they will be less inclined to shift their preferences and behaviors to address them. Finally, the thesis assumes that technology will continue to support the transition to a more sustainable economy.

When looking at the fashion industry's focus on embracing breakthrough technologies and innovative processes, there is an assumption that both consumer demand and more stringent legislation will continue to drive the need for investment and commitments in this area. Europe is certainly leading the way in this area via initiatives such as the EU's Sustainable Finance Disclosure Regulation (SFDR), which seeks to improve transparency relating to sustainable investment products, to prevent greenwashing and to increase investor comfort regarding sustainability claims made by asset managers, pension funds and insurance firms. While the US has been slower to adopt legislature that can catalyze the momentum needed for widespread industry change, this paper assumes that consumers are spearheading the demand for radical transparency with fashion's ESG pledges, which will continue to fuel further investments in the space to satisfy consumer demand for garments that are recycled, upcycled, and made from environmentally friendly materials. Moreover, this paper assumes that these innovations will likely not stem from traditional fashion players like Burberry or Hermès, but rather from startups such as Pangaia, MycoWorks, and Ecovative, who are actively working on material development to create scalable solutions that will become widely available to the large fashion houses.

Lastly, when discussing DEI initiatives, this paper focuses on one type of diversity in particular–identity diversity. Identity diversity refers to the differences in personal characteristics such as age, gender, ethnicity, and sexual orientation–essentially, who we are. Identity diversity helps break down stereotypes, biases, and discrimination by representing and including individuals from different backgrounds within a workplace or society. As discussed, identity diversity is proven to boost employee morale, engagement, and retention because people feel valued and respected for who they are. It is important to acknowledge, however, that cognitive diversity–how we think–is also a critical part of building a diverse workforce. While the two are often correlated, cognitive diversity explicitly refers to variations in personality traits, values, skills, knowledge, perspectives, and approaches to problem solving. Cognitive diversity can result from a wide range of factors, including educational and cultural backgrounds, life experiences, and individual differences in cognitive processes such as attention, memory, and decision-making. Embracing cognitive diversity can lead to more creative and innovative solutions, as different individuals bring unique perspectives and approaches to the table. It can also lead to more robust decision-making by encouraging critical thinking and reducing groupthink. For organizations and societies to maximize their potential, valuing and promoting both identity and cognitive diversity is essential.

Appendix

Slides Used for in-class Presentation

Industry Expert Mentor: Steven Sadove, Senior Advisor

PROFITS WITH PURPOSE IN THE FASHION INDUSTRY

Problem Statement:

Prioritizing ESG can act as a profit driver for retail companies by attracting and retaining customers and employees, reducing costs, and managing risk.

Summary:

- This paper addresses the debate on whether ESG commitments conflict with the goal of increasing profits in the fashion retail industry.
- It explores the impact of ESG on profitability through three lenses: changing customer expectations towards ESG-focused companies, the impact of new technologies for sustainable fashion, and the benefits of promoting DEI initiatives in the workforce.

Fashion Industry by the Numbers:

$3 trillion industry

2nd highest user of water

2nd highest polluter (10% of global emissions)

1 in 6 people in the world work in fashion and related industries

85% of textiles are sent to landfill (21B tons per year)

Mission-Driven Companies Driving Profits:

80% of consumers claim they are willing to pay more for sustainable products[1]

25% more likely to financially outperform companies that lack gender diversity[2]

36% more likely to financially outperform companies that lack ethnic diversity[2]

(1) Source: Business of Sustainability Index by GreenPrint.
(2) Source: McKinsey's Diversity Wins" report.

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THESES

Thesis:	Supporting Stats/Arguments:
1. Are retail companies that make ESG-related claims growing faster than those that don't and are consumers willing to pay more for products that are "doing good"?	• Products that make ESG-related claims have experienced **28% in cumulative growth over the past five years**, relative to 20% for products that make no such claims. • As for **CAGR**, products with ESG-related claims touted a **1.7 percentage point advantage** over products with no such claims. • Brands that prioritize sustainability, like **Rothy's & Reformation**, have seen explosive growth.
2. Do the new technologies for sustainable fashion drive profitability?	• Global Fashion Agenda (GFA) and McKinsey: complicated industry supply chains and insatiable consumer demand for "fast fashion" make **sustainable materials too costly** for widespread use. • The development of **new materials** and **processes**, such as adopting **recycled** and **upcycled textiles**, and **leather alternatives**, are gaining momentum. • Investing in sustainable technology remains critical for **long-term growth strategy.**
3. DEI - Does a diverse workforce yield more profitable results?	• McKinsey's "Diversity Wins" report: **gender-diverse companies** are **25%** more likely to **financially outperform** laggards (an increase from 15% in 2014). **Ethnic-diverse companies** are **36%** more likely to financially outperform laggards (slightly higher than 35% in 2014). • From 2014 to 2019, the least-diverse companies became even less likely to outperform diverse rivals, dropping from **-9% in 2014 to -19% in 2019**.

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Honors: 3.75/4.00, Magna Cum Laude; Dean's List (2013-2017)
Leadership: Women in Leadership Executive Board Member (2015-2017). Cipactli Latino Honor Society Member (2016-2017, chosen for academic achievement, valued leadership, and distinguished service to the Latino community)
Internship: Macy's Inc. Product Development Intern for the International Concepts Brand. (2016)

EXPERIENCE

ORDERGROOVE New York, NY
Ordergroove is a SaaS solution that leverages proprietary AI technology to transform single transactions to recurring relationships, with robust subscription, predictive reorder, and membership experiences. 2019-2022
Strategic Relationship Manager, Omnichannel (2022)
- Managed over $10M in ARR and created client strategy for key accounts, including Fortune 500 CPG companies in the US, EMEA, and APAC, and secured a retention of 92% (exceeding the team target of 85%)
- Lead international go-to-market strategy projects for key accounts seeking to expand growth and enter the EMEA and APAC regions, including for a digitally native beauty retailer and helped drive 1.5X GMV growth in one fiscal quarter
- Spearheaded the build-out of a specialized Omnichannel team vertical by establishing KPIs and team strategy

Senior Account Manager (2021)
- Increased revenue under management in 2021 2.5X, from $1M to $2.5M, by exceeding profit growth targets with existing accounts, and negotiating upsells to expand my book of business
- Managed and hired a new junior team member and developed a 30-60-90 day onboarding plan establishing milestones to track progress

Account Manager (2019-2021)
- Closed 2020 fiscal with a 97% client portfolio retention rate and closed 2020 at 129% to goal, greatly surpassing team KPI goals
- Oversaw technical project managements with payment integrators such as Stripe and Adyen and developed a deep understanding of e-commerce platforms such as Shopify, Salesforce, and BigCommerce to manage platform integrations
- Executed client strategy on relationship commerce and subscription programs via a thorough data analysis of clients' KPIs and quarterly business reviews to identify focal areas for optimization and growth within client businesses

JOOR New York, NY
JOOR is a SaaS wholesale fashion marketplace that streamlines and digitizes the wholesale buying process. 2017-2019
JOOR Lite Account Manager (2019)
- Spearheaded JOOR Lite's international client portfolio to create a process for platform data submission for key retail clients, strategized the pipeline for high-potential client upsells, and established the KPIs for the future team structure
- Partnered with Product and UX/Design team leads to share client feedback obtained via focus groups and helped create the first product for JOOR Lite data submission

Rotational Program Associate (2017-2019) New York, NY; Paris, France; London, UK
- Customer Success Associate: Oversaw a client portfolio of approximately 84 accounts, totaling nearly $750K ARR & maintained a 93% client retention rate. Liaised with Product team leaders to gather data insights via focus groups and influence new product improvements (SKU level pricing)
- Product Support Analyst: Chosen to create the Product Support team in EMEA to build out and establish a new branch of the client services team to optimize global performance, by providing technical product support in French for questions related to website/mobile apps and hiring key positions to ensure long-term team success
- Data Analyst: Maintained JOOR platform database integrity using Excel, SQL, and on-site interfaces; and collaborated cross-functionally with other internal teams to identify platform pain-points and implement data streamlining solutions

ADDITIONAL INFORMATION

Languages: Native in Spanish & Catalan. Fluent in English & Portuguese. Proficient in French
Technical: Proficient in Excel, SalesForce, Salesloft, SQL, and Looker
Certifications: DELF (Diplôme d'Etudes en Langue Française) C1 (expert proficiency)
Volunteer Work: Girls in Tech Board Member (NY Chapter), East Harlem Tutorial Program high school tutor
Interests: World traveler (I want to visit all continents – so far, I've traveled to 18 different countries in 5 different continents). Fashion and art enthusiast. Big foodie (fan of *Anthony Bourdain: Parts Unknown* show)

AMANDA VIDAL BEARE
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EDUCATION

COLUMBIA BUSINESS SCHOOL New York, NY
Master of Business Administration, Sustainability & Impact Investing, May 2024 2022 - 2024
Honors: Three Cairns Climate Fellow, Forté Fellow, and Columbia Fellow.
Clubs & Organizations: Turner MIINT Competition, Microlumbia Impact Fund (AVP of Fundraising & Alumni Outreach), Green Business Club (AVP of Community), Social Enterprise Club (AVP of Community), Pangea Advisors, Columbia Women in Business.

BUCKNELL UNIVERSITY Lewisburg, PA
Bachelor of Science in Business Administration, Finance 2012 - 2016
Honors: Graduated *cum laude*. Cumulative GPA: 3.5/4.0. Dean's List and Alpha Lambda Delta National Honor Society Member.
Clubs & Organizations: Women in Finance (Co-Founder), Student Managed Investment Fund, Alpha Chi Omega Sorority.

EXPERIENCE

BLACKROCK INC. New York, NY
Three Cairns Climate Fellow, Impact Investing Team 2022 - 2023
- Awarded Three Cairns Climate Fellowship, which enables MBA students to complete year-long projects at the intersection of climate change and business. Selected to work on BlackRock's impact investing team, which has built the world's leading investable portfolio of public market impact companies.
- Research climate-related companies globally that meet BlackRock's criteria to be added to the portfolio. In particular, identify companies in battery storage and battery supply chain, waste management innovations, carbon capture technology, recycling, and climate solutions in emerging markets.
- Provide an impact thesis (percentage of impact activities, additionality, and a KPI of climate impact) for each climate-related company in BlackRock's universe. Propose engagements that BlackRock can utilize to help companies increase their impact.

BLACKSTONE INC. New York, NY
Institutional Client Solutions Associate, Blackstone Credit 2019 - 2022
- Led launch of Blackstone Credit's renewables and energy transition strategy, working as the renewables product specialist within the Institutional Client Solutions team. The strategy is part of Blackstone's broader initiative to invest up to $100 billion in energy transition and climate change solutions over the next decade.
- Identified pipeline of 130+ institutional investors with Net-Zero mandates, investment strategies dedicated to climate change solutions, or prior investment commitments in Blackstone Credit funds. Coordinated roadshow meetings to introduce the strategy to investors and used feedback to refine the final strategy that was launched.
- Coordinated global due diligence day for investors to diligence the strategy. Prepared due diligence and marketing presentation, which covered the investment strategy, team, ESG and sustainability reporting, and select portfolio company overviews.
- Developed Blackstone Credit's portfolio company data files, tracking quarterly financial and performance information for every energy investment. Worked closely with Blackstone's ESG team to develop tracking and reporting standards for key KPIs.

J.P. MORGAN SECURITIES New York, NY
Investment Banking Associate, Global Securitized Products Group 2018 - 2019
- Associate in the Global Securitized Products Group, responsible for origination and execution of residential mortgage-backed securities (RMBS) transactions, financings, and advisory mandates for residential mortgage assets.
- Built detailed cash flow models in Intex and Excel to perform cash flow analysis and review capital structures for multi-million-dollar transactions. Collaborated closely with structuring and trading desks for market context to inform pricing analysis.
- Synthesized raw mortgage data into normalized data fields to produce information used for qualitative and economic analysis.

WELLS FARGO SECURITIES New York, NY
Investment Banking Analyst, Asset-Backed Finance & Securitization Group 2016 - 2018
- Created marketing materials for RMBS issuances, leveraging a deep understanding of cash flow structures and market trends.
- Managed transactions including communicating with counsel, rating agencies, accountants, and the trading and syndicate desks.

ADDITIONAL INFORMATION

Certifications & Exam Results: Passed CFA Level I, FINRA Series 7, FINRA Series 63, FINRA Series 79.

TIFFANY XIE, CPA

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EDUCATION

COLUMBIA BUSINESS SCHOOL New York, New York
Master of Business Administration – Strategy, May 2024 2022 – 2024
GMAT: 770/99% (Q50/85%, V46/99%, IR 8, AWA 6) | Accepted to the inaugural MBA Deferred Enrolment Program (2019)
Leadership: AVP of Allyship – Cluster Q
Involvement: Management Consulting Association, Small Business Consulting Program, Asian Business Association, General Management Association, Marketing Association, Technology Club, Golf Club, Snow Sports Club, Health & Wellness Club

UNIVERSITY OF WATERLOO Waterloo, Canada
Bachelor of Accounting and Financial Management – GPA: 4.0/4.0 2015 – 2019
Study Abroad: University College London, UK (2018) | Study Term Abroad Ambassador (2019)
Awards: UW Dean's Honours List (2015-2019), Farm Mutual Foundation Academic Scholarship (2018), EY Challenge: Co-op Campus Champion and National Finalist (2015), UW Presidents Scholarship (2015)
Leadership & Involvement: Senior Teaching Assistant (2016-2019), Hawthorn Simulation Fund – Logistics Director and Equity Analyst (2017-2018), SAF Outreach and Ambassador Program (2015-2017), SAF Grad Ball Committee: VP of Marketing (2019), BMO Stock Pitch Competition: Semi-Finalist, Anish Chopra Investment Research Challenge, GCC Optimize Case Competition

EXPERIENCE

EPOCH San Francisco, California (REMOTE)
Start-up B2B SaaS company that automates and analyzes all virtual and in-person internal corporate events
Finance & Operations 2022 – Present
- Established the company's internal customer account and revenue/burn tracking system, incorporating key SaaS financial metrics, to advance growth progression and for presentation to the board and potential investors pre-$3.6M seed funding round
- Negotiated and upsold renewal contracts with existing customers to accelerate the company's ARR (average 56% renewal upsell)

EY LLP Toronto, Canada
Manager (2021 – 2022), **Senior Accountant** (2020 – 2021) 2020 – 2022
- Led and oversaw the simultaneous completion of $100K-$500K financial statement audit engagements across various industries (tech, construction, healthcare, retail, private equity, etc.) for clients with up to $500M revenue
- Managed full scope of audit engagement, from negotiating an average 6% YoY increase in budget fees, to providing final deliverables and leading a presentation of audit findings to the CFO and board of directors
- Redesigned audit strategies to gain efficiencies resulting in an 8% YoY increase in engagement profit margins
- Conducted discovery to gain understandings of business industries and operations through comprehensive interviews with senior management
- Directed coordination between up to 5 onshore and offshore teams per engagement to ensure completion by the allotted deadline
- **Achievements:** Gold standard performance ranking (Level 5/5) from 2020 – 2022, promoted to manager after 16 months vs. typical 24-month progression

Co-ops: Intermediate Staff Accountant (2019), **Staff Accountant** (2018, 2017) 2017 – 2019
- Executed various data analyses and extensive audit procedures for high-risk financial accounting sections whilst strengthening knowledge of financial reporting standards (IFRS, ASPE, US GAAP) and client business operations and industries
- Carried culture to collaborate synergistically within teams and exceed prior years' productivity benchmarks by an average of 12%
- **Achievements:** 7/7 Outstanding Performance Co-Op Rating

ADDITIONAL INFORMATION

Volunteer Work: SBCP NYC Pro Bono Consulting – Consultant (2022) | Lakeshore Lodge Long-Term Care Home **–** Volunteer (2019 – 2020) | EY LLP – Campus Recruitment Ambassador (2016 – 2022)
Designations and Diplomas: CPA (2022), Graduate Diploma in Professional Accounting (2020), Cleared CFA Level 1 Exam (2019)
Achievements: CPA Canada 2021 Common Final Exam National Honour Roll (top 1% of 5,912 successful writers in Canada), PACC Case Challenge: Champion, EY Emerging Leaders Program: Attendee (~40 students across Ontario/Quebec), Economical Insurance Robson Award (for individually reconciling 49% of all brokers in a 12-person team)
Interests: Arts: Royal Conservatory of Music Grade 10 Piano and Grade 3 Harmony, enjoying live music performances | Travel: 15+ countries | Recreation and Fitness: Barry's Bootcamp, snowboarding, tennis, learning how to golf

MATTHEW I. USUKUMAH

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EDUCATION

COLUMBIA BUSINESS SCHOOL New York, NY
MBA May 2024
Leadership: Co-President ’23 – ‘24, Retail & Luxury Goods Club; DEI Cluster Chair; AVP of Alumni ’22 – ‘23, ClusterQ:
Membership: Management Consulting Association; Black Business Student Association; Wine Society
Scholarship: ROMBA Fellow

NEW YORK UNIVERSITY New York, NY
Bachelor of Arts, Economics; May 2015
Internship: G-Star Raw Inc, US Wholesale Intern; Luxottica Wholesale North America, Department Store Sales Intern
Part-Time Work: Comfort Homes & Property Management LLC, Office Administrator
Independent Research: “Loan Size, Relationship Lending, and Group Lending in Microfinance: Case Studies in Ethiopia, Kenya, Malawi, Nigeria, and Uganda”

EXPERIENCE

GAP INC. New York, NY
Buyer, Europe Online, Kids Clothing 2021 - 2022
- Managed transition to franchise business with inventory sell down, resulting in consistent 2-4 week turns in unwanted product
- Implemented price strategy after reviewing weekly sales, leading to Fall/Holiday sales +10% points higher than total EU Online
- Spearheaded monthly product placement changes based on online sales performance reports, leading to sales improvement
- Forecasted sales and inventory levels for monthly Open-To-Buy meetings with senior management

Merchandise Planner, Japan and Europe Brick & Mortar, Kids Clothing 2018 - 2021
- Planned pre-season investments after conducting quarterly hindsight analyses; presented findings to senior management
- Drove sales increase of gross-margin-rich graphic t-shirts category, with Q4 2019 sales ending +8% to prior year
- Advised Buyer on denim-specific historical performance analyses for introducing new product as #1 denim category
- Developed market basket analysis report to understand customer transactions and make strategic pricing decisions
- Projected sales of core product to manage inventory and transition to more sustainable/recycled version of core products
- Executed weekly allocation inventory replenishment to ensure stores have optimal inventory to maximize sales

G-III APPAREL GROUP New York, NY
Sales & Planning Analytics Associate, US Accounts, Menswear and Womenswear Jackets 2017 - 2018
- Analyzed weekly store sales of product for replenishment and sales opportunities, resulting in $200K+ of in-season re-orders
- Streamlined sales report templates that expedited sales reporting, allowing team to track 70% of business in-season
- Coordinated with visual merchandising to ensure product visibility to customer, resulting in higher sell-throughs

J. CREW New York, NY
Assistant Planner 2015 - 2017
- Merchandise planning and price coordination for Menswear and Kids Clothing for the US Brick & Mortar and E-com sales

ADDITIONAL INFORMATION

Recent Photography Exhibitions & Awards
- 2022 National Competition Winners Exhibition; Soho Photo Gallery, New York Jul 2022
- Sold 8 out of the 11 photos exhibited at The Other Art Fair, New York Jun 2022
- Photography Biennial, Arts Center at Corpus Christi, Texas; Winner, 1st Place Mar 2022
- ArtExpo NYC; Oct '21; Winner, Best Rising Artist Oct 2021
- "Essential Water" Exhibition; Photo Place Gallery, Vermont; Winner, Juror's Award Sep 2021

Interests
- Traveled overseas in collaboration with publications to photograph Fashion Week events
- Volunteering and photographing for non-profits (Holy Family Hospital of Bethlehem Foundation)
- Athletics (Cycling, Running)

Skills
- Adobe Lightroom & Photoshop, Arthur, MicroStrategy, SAP, Power BI

Languages
- Japanese (Intermediate Proficiency)

MATTHEW RUGANI

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EDUCATION

COLUMBIA BUSINESS SCHOOL New York, NY
MBA, May 2024 2022 - 2024
Leadership: Retail & Luxury Goods Club, AVP of Careers & Alumni
Membership: Military in Business Association; Columbia Entrepreneurs Organization; Private Equity Club; Arts Society

JOHNS HOPKINS UNIVERSITY Baltimore, MD
BA, Public Health Studies, May 2009 2005 - 2009
Pre-medicine concentration; Captain, JHU NCAA Wrestling Team; President, Sigma Alpha Epsilon Fraternity

EXPERIENCE

PRAESIDIAN CAPITAL Remote
Private Equity Summer Associate 2022
- Advising LPs and founders on branding and marketing strategy for a newly acquired e-commerce portfolio company.

INDEPENDENT CONSULTANT Remote
eCommerce Strategist 2022
- Implemented Klayvio marketing platform to automate customer acquisition and retention initiatives across 3,000 users for a Boston-based eCommerce startup.
- Developed web content for search engine optimization and brand positioning to drive sales and improve customer engagement for a specialty retailer in Sweden.

DELOITTE TOUCHE TOHMATSU LIMITED Boston, MA
Senior Consulting Intern, DoD Skillbridge Program 2021 - 2022
- Supported management consulting Mergers & Acquisitions team to help businesses develop strategic plans for integration with a focus on Retail and Consumer Products.

U.S. ARMY SPECIAL FORCES Fort Lewis, WA; Okinawa, Japan
Assistant Operations Sergeant (2021-2022) 2016 – 2022
- Managed three logistics specialists supporting 150 "sensitive activities" operators in 36 countries. Balanced conflicting timelines and limited resources while mitigating risk in a competitive, team-oriented environment.

Communications Sergeant (2016-2021)
- Led procurement, implementation, and program management of key technology assets for a new $4M+ counter-terrorism program in Southeast Asia. Delivered results early and under budget.
- Influenced U.S. Government and foreign military stakeholders for high-quality material and technical support to enable key operations while deployed.

CLUB MONACO INC. New York, NY
Merchandising Manager 2014 - 2016
- Led a team of three to develop and implement a global merchandising strategy for $150M Men's Shirts and Outerwear businesses, resulting in 43% annual growth.

COACH INC. New York, NY
Assistant Merchandising Manager; Merchandising Assistant (2013 - 2014) 2012 - 2014
- Managed a $220M global Men's Accessories program in 18 countries and 900+ stores; implemented regional product innovations that resulted in a 20% yearly sales increase.

Merchandising Assistant (2012 - 2013)
- Partnered with cross-functional business units to achieve key performance metrics related to gross margin, delivery deadlines, and return on marketing investment.

ADDITIONAL INFORMATION

Affiliations: 51Veterans organizational fellow, The Military Veteran business association, The COMMIT Foundation
Language: Intermediate working proficiency in Korean
Interests: How I Built This with Guy Raz, Brazilian Jiu Jitsu, contemporary American fiction, design.