Policies versus Practices: Transparency of supply chain disclosures among luxury and mass market fashion brands

Iva Jestratijevic. PhD student, Fashion and Retail Studies. The Ohio State University
James Unhoro. PhD student, Educational Studies, Quantitative Research. The Ohio State University
Nancy A. Rudd. Professor, Fashion and Retail Studies. The Ohio State University

Keywords: Transparency, Sustainability, Supply Chain

Research rationale: Transparency represents the basic precondition in establishing sustainable corporate reporting for fashion brands. Supply chain transparency can be defined as the minimum degree of disclosure to which supply chain policies, practices, agreements and procedures are open for public verification (Mol, 2015; Strähle & Merz, 2017). Being transparent creates the opportunity for collaborative action between companies, governmental and non-governmental organizations, labor unions and the public to work towards building a fair-minded, cleaner and safer fashion industry (Ditty & Moore, 2016). Transparent disclosures reinforce business trustworthiness by providing reliable information about the origin of the garments, location of factories, and the workers who make the clothing (Kang & Hustvedt, 2014; Ma, Lee, & Goerlitz, 2016).

Fashion Transparency Index 2017: In 2017, two organizations, Fashion Revolution and Ethical Consumer, jointly published a Fashion Transparency Index (FTI 2017) which rated and ranked 100 of the most affluent global fashion brands. Brands were ranked according to the level of transparent information they publicly share in five key areas: business policies, corporate governance, materials traceability; audits and remediation; and negative impact reporting. The FTI 2017 dataset includes information exclusively from official brand website(s); parent company website(s); annual/sustainability reports (published January 2015 or later); and third party websites when linked directly from the company’s own websites or reports (p. 19, Ditty, 2017).

Method: For the 100 global fashion brands included in the FTI 2017, we analyzed: (1) The amount, typology and comprehensiveness of information that fashion brands publicly disclose; (2) the tendency to disclose information on policies and corporate governance rather than information on areas of supply chain transparency (traceability, audits and remediation, and negative impact reporting), (3) differences in supply chain transparency of public disclosures among luxury and mass market brands. Preliminary analysis showed that the data were extremely non-normal. Hence, to answer our questions related to group differences, we used ordinal effect size measures such as the Hodges-Lehmann median difference (Hodges Jr & Lehmann, 1963) and the Probability of Superiority (Grissom & Kim, 2012).
Results: The FTI 2017 results indicate that the most powerful global fashion brands are still not releasing enough information about their business practices. The average score for all brands across the five key areas on the FTI 2017 was 19.6% (49 points out of 250 points). Moreover, 32 brands had a transparency score of 10% or less. Not a single brand scored above 49% transparency, while three brands scored zero, meaning they do not disclose any information in the five areas. The weakest area within supply chain transparency for all brands was tracking and traceability, where the majority of brands (n = 65) scored less than 10%. No brand published information on raw material suppliers, while only 14 brands published information about their processing facilities. Further analysis revealed that brand disclosures were extremely disproportionate. On average, brands scored about 30% points higher in the areas of business policies and governance than they did on supply chain transparency. Moreover, there was an 80% chance that any brand’s randomly selected score in the areas of business policies and governance would be higher than another randomly selected score from the three supply chain transparency areas. A comparison of the mass market fashion brands (n=27) and luxury fashion brands (n=13) revealed higher transparency among mass market brands. Depending on the specific area of supply chain transparency, mass market brands were 75 to 81 percent more likely to have higher scores than luxury brands.

Implications: The research results indicate that the general public does not have enough information about the locations where global brands create their products, who creates these products, and under which conditions. Analyzing and comparing information using the FTI 2017 index and available corporate reports indicates a greater presence of information about brand values, and commitments than business outcomes and corrective actions (Ditty, 2017; Ma et al., 2016). In most cases, relevant information was lacking, or it was provided in an incomplete and ambiguous way, making analysis arduous. The majority of brands in the FTI 2017 dataset publish a Code of Business Ethics, a Supplier Code of Conduct and an annual report covering corporate social responsibility and sustainability initiatives. Published initiatives usually include community engagement, carbon emissions, health and safety and recycling at the company level. Minor information is disclosed about putting policies into practice at the supplier level, while critical areas for improvement include workers’ rights and factory assessment processes. Given that sustainable business requirements demand higher transparency in corporate reporting, the purpose of this research is to inform different stakeholders about available information on level of business transparency so that further progress can be discussed in courses in the fashion and retail studies discipline, as well as within businesses themselves.

References


