

ANVYL

The Ethical Supply Chain

A look at the challenges, choices,
and payoffs of instilling your values into
everyday supply chain operations.

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The ethical supply chain

A look at the challenges, choices, and payoffs of instilling your values into everyday supply chain operations.

By 2021, the global ecommerce market is set to reach \$4.9 trillion¹, about 18% of total global retail². Considering the huge opportunity to expand digital channels as well as conversations happening around environmental damage, labor practices, and trade regulations on the world stage, brands can stand out by making ethical choices in their supply chains. 1.8 billion people are expected to join the global consuming class by 2025³, and with Gen Z described as the most socially conscious age group to date, brands can't afford to ignore these crucial topics.

Even with this incentive, many brands find it difficult to put their values into practice. Aside from a subset of brands that build their image around sustainability or social good, most struggle to balance cost with implementing higher wages, better oversight, and the use of environmentally-friendly materials.

We wrote this paper to help you minimize the risk of investing in ethical supply chain practices and provide a clear path forward however far you decide to go.



18%

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¹ <https://www.shopify.com/enterprise/global-ecommerce-statistics#1>

² <https://www.emarketer.com/content/global-ecommerce-2019>

³ mckinsey.com/business-functions/sustainability/our-insights/starting-at-the-source-sustainability-in-supply-chains



Why to invest in solving ethical supply chain challenges

There are many reasons to invest in an ethical supply chain, ranging from the purely altruistic to the strictly pragmatic.

Despite the challenges supply chain professionals face when trying to implement these changes (high labor and material costs, more overhead, and the loss of price-conscious consumers to name a few), many companies believe the reward is worth the risk. Your own reasons may include:

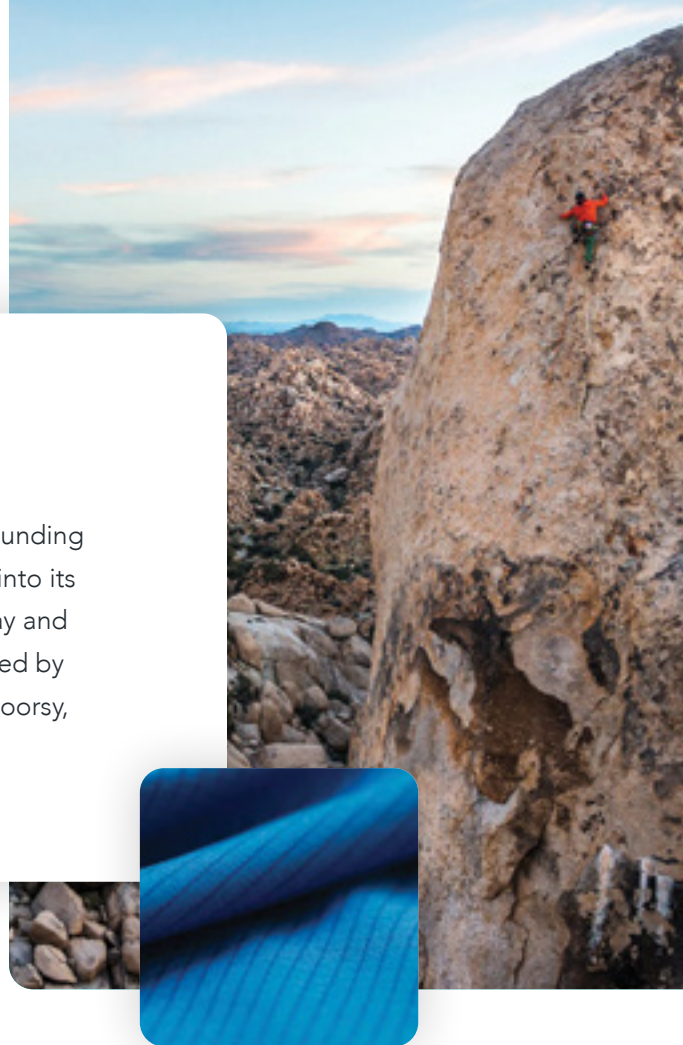
- | | | | |
|-----------|----------------------------------------------------------------------------|-----------|-----------------------------------------------------------------------------|
| 01 | To align to personal or company values, regardless of the financial payoff | 04 | To achieve third-party certifications like Fair Trade and Certified Organic |
| 02 | To uphold your image as an environmentally- or socially-conscious brand | 05 | To meet local or regional regulations |
| 03 | To be at the forefront of a global movement | 06 | To avoid future criticism and risk to your business |

Let's look at a few examples from brands that have made the conscious decision to either launch as or become a company with a responsible supply chain.



A global success story born from the love of the outdoors

The outdoor brand never wavered from its values since its founding decades ago, weaving sustainability and fair labor practices into its company culture. Its willingness to forgo sales on Black Friday and its latest goal to become carbon neutral by 2025⁴ isn't required by anyone, but their long-term success suggests that their outdoorsy, environmentally-conscious customer base is willing to pay a premium to feel good about what they buy.



EQUATOR

A local B corp in a saturated market

The Equator brand began in 1995 and is now a multi-channel business anchored around ethical sourcing. As a certified B Corp⁵, the company must meet a certain set of standards and transparency around sourcing and supply chain activity. As a smaller Bay Area brand, Equator relies on its reputation for inclusiveness and social good to retain loyal customers through its retail channels and lucrative long-term contracts on the wholesale side.



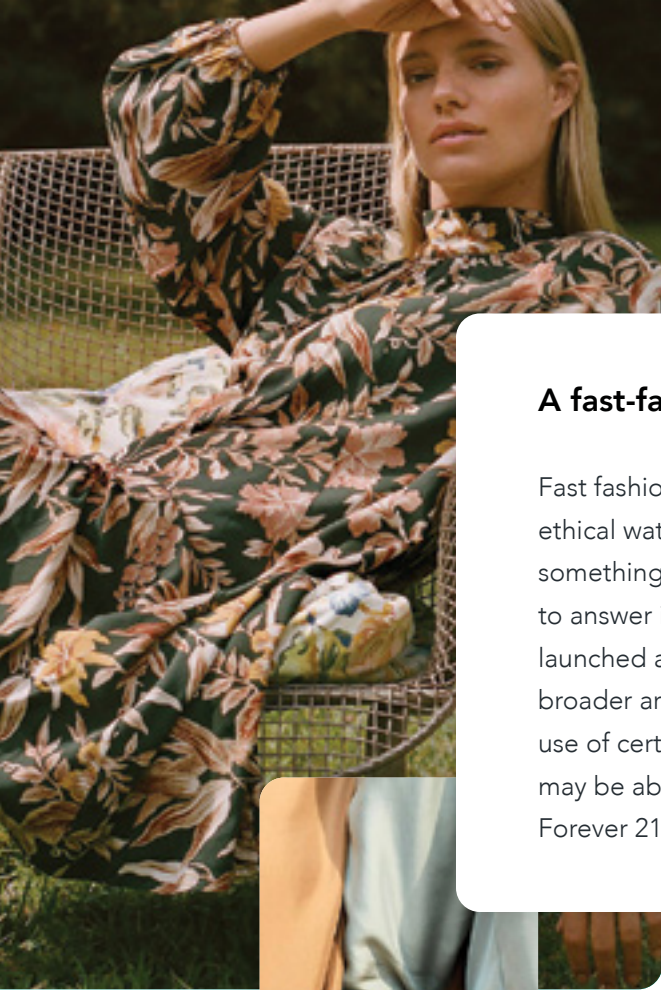
A digital native, women-led lingerie startup

Founded in 2013, Third Love manufactures bras for women of all sizes and colors. The company set out to be an antidote for traditional brands like Victoria's Secret, producing "nude" bras in a broad range of shades and offering sizing up to cup size I. They partner with a woman-owned group of factories in Hong Kong and sell exclusively online (except for a popup in NYC), betting their money on a new wave of female consumers who choose their clothing based on more than price or glossy aesthetics.

⁴ retaildive.com/news/patagonia-doubles-down-on-sustainability/546144/

⁵ bcorporation.net/directory/equator-coffees-teas-inc

ANVYL



A fast-fashion giant turning things around

Fast fashion brands are facing an existential crisis as consumers and ethical watch dogs dig deeper into their supply chain practices, something H&M felt intensely in the mid-2000s when it was forced to answer inquiries about worker wages in 2013. The brand has since launched a turnaround campaign and made major improvements⁶ to a broader area of industry concerns—sustainability, labor practices, and use of certain animal products. If they stay the course, the retail giant may be able to escape the fate of some of their peers⁷, including Forever 21's bankruptcy in September of 2019.

Whether you're a new brand looking to make a mark or an established one doubling down on ethical supply chain practices, consider these motives and examples as you're weighing the cost of change.

More often than not, there's a way to make it work—as long as your team is clear on purpose.

⁶ goodonyou.eco/how-ethical-is-hm/

⁷ theatlantic.com/health/archive/2019/10/temporarily-21/599356/

Ready for action? Here's what to do

Based on our research, we identified the top ways you can build a more ethical supply chain without spreading your resources too thin.

Thoughtful product development

Designing and manufacturing a product line that balances cost with consumer values

The possibilities around production can feel endless—and often overwhelming—as a newer company in the consumer space. From product design to handling of waste and returns, manufacturing choices impact sustainability and social responsibility on a large scale.

Here are top considerations in five stages of product development that will help you make ethical decisions for your brand:



Step 1: Design

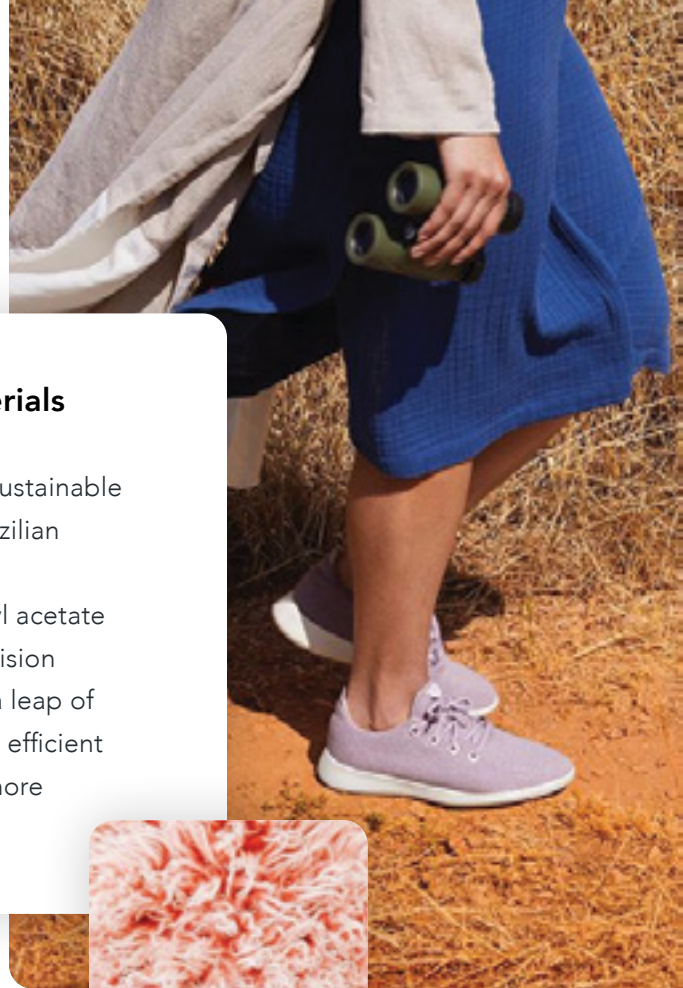
Every design choice you make translates into real materials and labor, so be ready to let your most imaginative ideas go if they don't make sense in practice. For example, an intricate product design might result in more quality issues and greater waste while a simple and repeatable shape will lend itself to automation and preserve materials. Too many pieces will complicate the production process

by adding suppliers and transportation needs, adding risk and increasing your carbon footprint. Whatever you choose, it's important to discuss product design as part of your marketing initiatives early on—your design and sourcing teams will need to prioritize any unique needs and decide where to make tradeoffs.



Allbirds creates a new sole from recycled materials

In the few years since its launch, Allbirds has grown into a sustainable footwear success story⁸. The company partnered with a Brazilian petrochemical manufacturer that developed SweetFoam, a renewable, sugarcane-based replacement for ethylene-vinyl acetate that Allbirds used to make its shoe soles. Although the decision required a greater initial investment in quality control and a leap of faith on a new material, Allbirds mitigated risk with a highly efficient supply chain and a direct-to-consumer model that leaves more leeway in their margins.

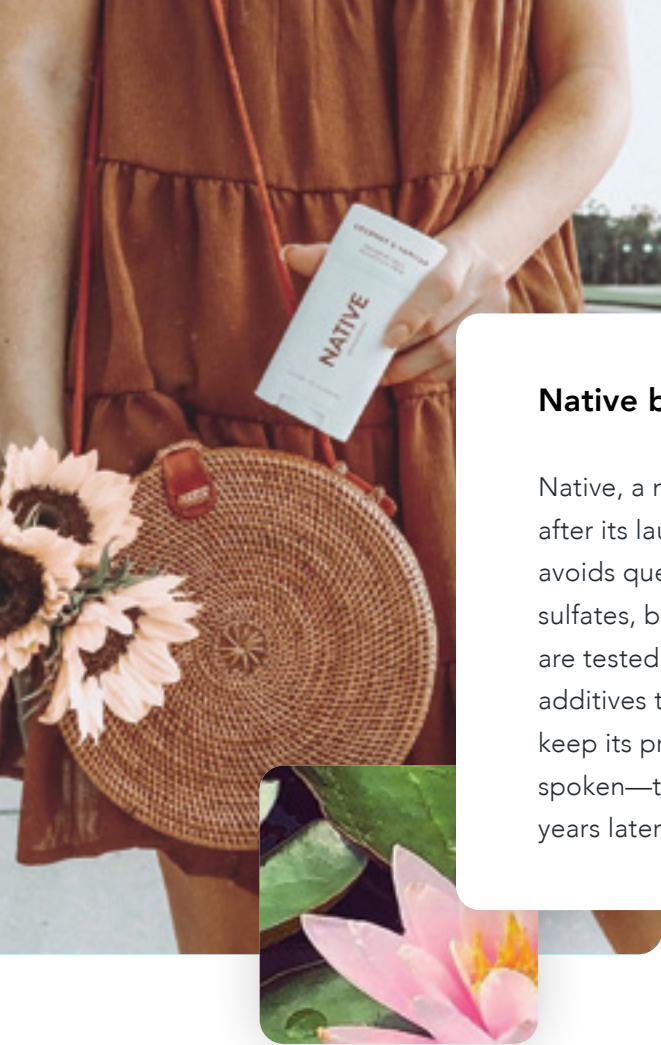


Step 2: Choosing materials

If you haven't already designed with sustainable materials in mind, you should refine your choices based on your supply chain goals. There's a reason the top-referenced sustainable fashion brands, for example tend to keep a low SKU count and avoid too much variation on cut and color. It's easier to produce high quality goods at effective rates when products can be made from similar, bulk materials. While it would be nice for everyone to be able to select recycled or biodegradable material, there are constraints based on the product going inside. Material doesn't have to be the only way you have a sustainable supply chain so think through all of these factors as you think about marketing your sustainability.

In industries like food and beverage or personal care you may need to sacrifice on design to make your products more environmentally friendly, Boxed Water, a brand whose name says it all, launched in a market where plastic and sleek glass bottles reigned, but their case for neutral paper packaging has made them stand out among less eco-friendly competitors.

⁸ <https://www.voguebusiness.com/companies/allbirds-building-a-sustainable-supply-chain>



NATIVE

Native bets on safe, natural personal care

Native, a natural deodorant startup that rose to popularity quickly after its launch in 2016, promotes its values proudly. The brand avoids questionable chemicals like aluminum, parabens, and sulfates, building its brand around safe and simple ingredients that are tested by top-notch scientists. Native deliberately leaves out additives that could prolong shelf-life or strengthen effectiveness to keep its products more natural, and health-conscious shoppers have spoken—the brand was acquired by Procter & Gamble less than two years later.

Step 3: Manufacturing

Once you've submitted your CAD files, bill of materials and production guidelines to your suppliers, the next step is actually creating the goods. Even if you have already perfected your product, this stage will call for strong oversight, testing and sampling, and finally ramping up volumes to meet demand.

Along the way you'll be faced with decisions. Should you add more preservatives to food products to extend their lifespan? Is it really worth paying extra for fair trade cotton? Will customers see the value of your material choices and be willing to pay a premium for them?

Whatever you decide, use marketing to explain the importance of your choices. When people feel like they're making an impactful purchase, they're more likely to become loyal, repeat customers.



Blue Apron feels the effects of wasteful plastic packaging

Blue Apron's steep decline from Silicon Valley unicorn status into penny stock territory had many factors, but their plastic waste problem has been the one most obvious to customers. Although they make broader sustainability claims around cutting food waste and buying from suppliers with sustainable practices, consumers find it hard to ignore the piles of plastic and ice packs that come in every box⁹. Blue Apron isn't the only meal kit delivery service struggling with this problem—although it's in the midst of a larger comeback strategy¹⁰, it remains to be seen if the struggling brand will be able to find a lasting solution for the packaging problem that plagues most companies in its category.

Step 4: Packaging

While shoppers are more aware of the environmental impact of wasteful packaging, they still react to the unboxing experience. More brands are putting energy into creating beautiful packaging from recycled and compostable materials to separate themselves from the sea of plastics-heavy brands that exist today.

Food delivery services struggle with this more than most. They're under pressure to deliver perishables fresh and in perfect shape, but get backlash if customers feel that too much plastic and styrofoam is used to do so. Sustainable materials may cost more, but losing business over customers' environmental guilt will ultimately be more harmful.

Step 5: Inventory and demand planning

The better you plan and forecast inventory needs, the less waste and risk you introduce to the supply chain. This is undoubtedly good for your company's bottom line, but it's also good for the environment.

H&M, for example, has been sitting on over \$4 billion worth of inventory. By catering to fleeting trends, the brand produces a shocking amount of landfill with its excess inventory¹¹, most of which is manufactured with synthetic, petroleum-based raw goods.

Emerging brands must learn from these mistakes. They can use supply chain technology that's powerful enough to give them real-time views into inventory and make it easier to plan for future demand, cutting down excess production and getting better visibility across every purchase channel.

⁹ <https://www.buzzfeednews.com/article/ellencushing/these-are-the-trashy-consequences-of-blue-apron-delivery>

¹⁰ <https://www.modernretail.co/startups/inside-blue-aprons-comeback-strategy/>

¹¹ <https://www.nytimes.com/2018/03/27/business/hm-clothes-stock-sales.html>

Responsible sourcing

Choosing suppliers that treat workers well and meet high standards of quality and safety

Worker exploitation is a problem throughout supply chains in every industry. While companies have historically relied on audits and compliance checklists to protect laborers, especially those in emerging markets or poor economies, this approach has limited impact.

To ensure fair treatment and wages, responsible brands must employ a strategy that preserves workers' rights, autonomy, and physical safety at every stage in the supply chain. Here are some ideas to consider:

- **Visit supplier factories and facilities** on a regular basis. While third party audits can be useful, personal visits make it easier to see conditions clearly.
- **Create and enforce a supplier code of conduct** that outlines clear guidelines on how to treat their workforce.
- **Give employees a way to report violations** anonymously. Get involved with an NGO that has a mobile phone program in place, or organizations like Fair Trade who send staff members to interview workers directly.
- **Use a pre-vetted supplier marketplace** to cut down on cost and time commitment. Anyvl screens suppliers for ethical labor practices before adding them to our network.

Although it can feel like a great deal of work, taking these steps can strengthen supplier relationships. The result will be longer-lasting partnerships with your supply base that can translate to better margins as you scale.

Not sure where to start when choosing manufacturing partners?

The Ethical Trade Initiative provides a framework for due diligence when working with suppliers.



Lessons in geography

Another crucial decision in choosing a supply base, location can change the nature of your supply chain greatly. Whether you're striving for the "Made in the US" label or sourcing from niche communities abroad, it's a constant balancing act among cost, quality, and values.

The age-old question: stay local or go overseas?

Several factors can help you answer this question—it depends largely on who you're selling to and in what price range. There's no perfect answer, but this section should help you narrow down your options.

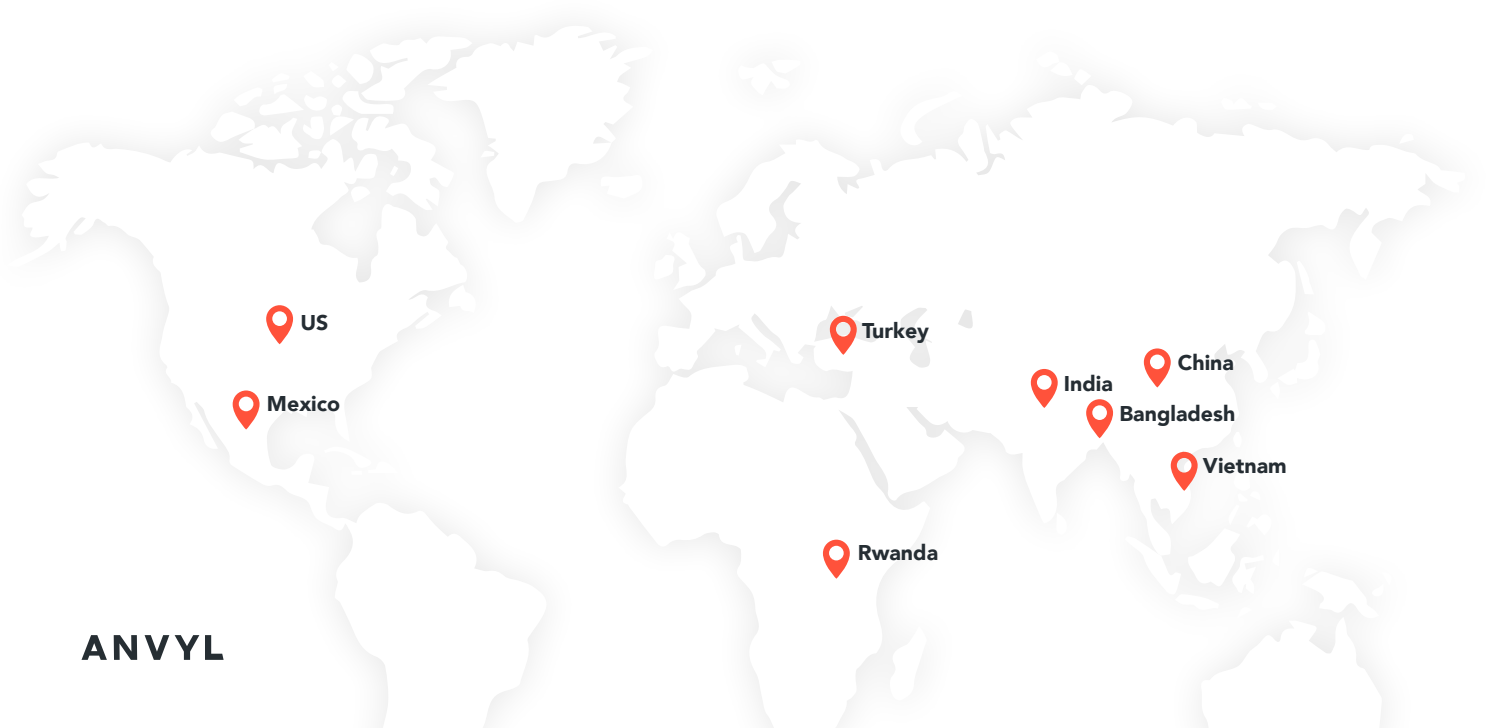
If your brand is based in regions like North America or Europe where labor is relatively expensive, manufacturing certain products locally can put you in a higher price range from the start. You'll almost certainly have greater control and transparency over the sourcing and production process, but will have to choose suppliers wisely to compete with brands producing high volumes of cheaper products in overseas factories.

Manufacturing abroad can help you scale faster and serve a bigger piece of the global market (and will cost far less in labor and overhead). However, taking this path means you'll need to invest more into monitoring your supply chain and enforcing ethical practices. Without close oversight, there may be hidden costs—you'll likely leave a larger carbon footprint, pay more in transportation costs, and lose some of your margins to tariffs as goods cross borders.

Where should you manufacture?

Take a look at some key areas of interest across the globe. While certainly not exhaustive, this list highlights popular and emerging regions for brands to consider.

- **Turkey** - A popular favorite among higher end garment producers with apparel exports approaching \$30 billion annually, Turkey offers a level of quality that's hard to find elsewhere for the price. Cost-conscious brands may want to avoid.
- **Bangladesh** - The second largest garment exporter after India, Bangladesh is an affordable region but still suffers from high levels of human trafficking, poor workers rights, and safety issues. Can be bureaucratic.
- **India** - A major hub for global manufacturing, India still provides affordable labor and a wide array of goods if you can navigate human rights issues and red tape (though the latter is improving).
- **Vietnam** - A potential alternative to China with lower labor costs, top exports include machinery, garments, footwear, and textiles. Sophisticated technical manufacturing capabilities may be lacking.
- **Rwanda** - This African country has made investing and manufacturing attractive via many incentives and little red tape. Top sectors include apparel, cement, and recently technology with the region's first push into the smartphone market.
- **China** - A manufacturing haven that's upped its game on quality in recent years, China offers many options if you're willing to navigate a murky web of factories, preference for high volumes, and increasing political risk.
- **Mexico** - Proximity to the US and Canada and reliable quality makes Mexico attractive. Speed to market can offset costs, but labor is considerably higher than many overseas alternatives.
- **US** - Nets you a coveted "Made in the US" label, high-quality goods, and easy communication with suppliers. For most products, you'll need to offset higher labor costs with other efficiencies.



Once you've chosen suppliers in locations that make the most sense for your brand, you can mitigate risk through strong logistics partnerships and optimization tools. Our customers track production milestones on Anvyl and integrate with carriers and freight services to reduce costly inefficiencies in their supply chains.

Demonstrate inclusivity through operational choices

Spend some time scrolling through Instagram comments on your favorite brands and you'll quickly notice a trend. Consumers are holding companies more accountable for their actions, calling out shortcomings like lack of diversity or exclusionary sizing and pricing.

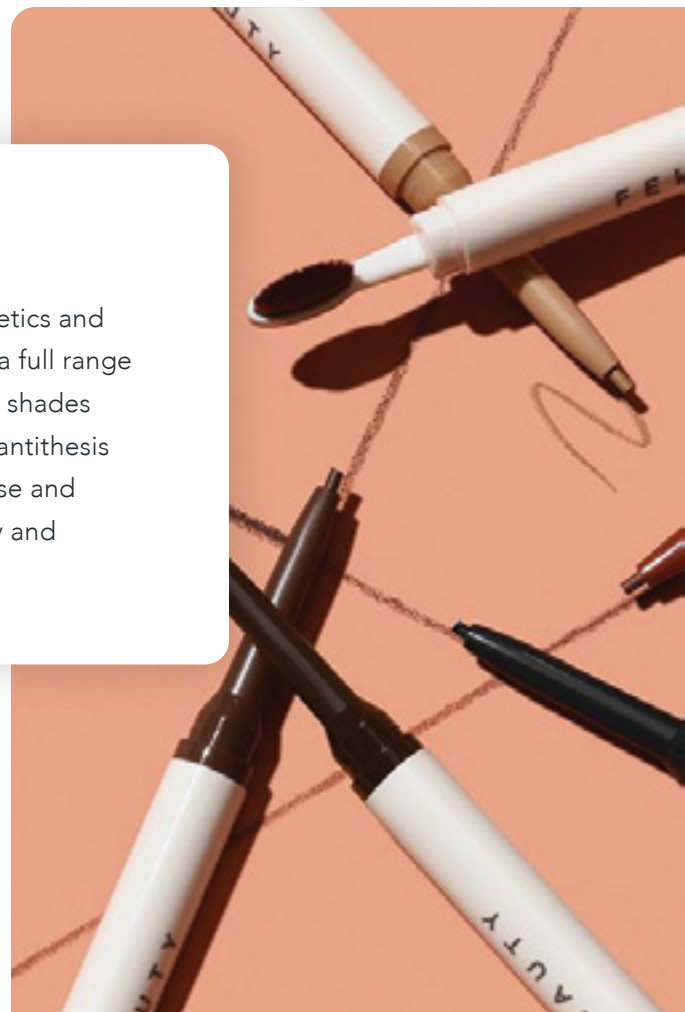
If inclusivity is one of your values—overtly or implied—you can foster it through tangible supply chain decisions. This may include providing a greater range of sizing, cosmetics shades and formulas, and other product variations that are less cost-effective and harder to forecast than a limited offering.

An inclusive approach to supply chain may require more capital and testing upfront, but risk and cost diminishes as you grow. Using supply chain visibility software for tracking materials and SKUs helps immensely, improving demand planning and staying on top of suppliers to ensure you always have the right selection of sizes and styles for customers.

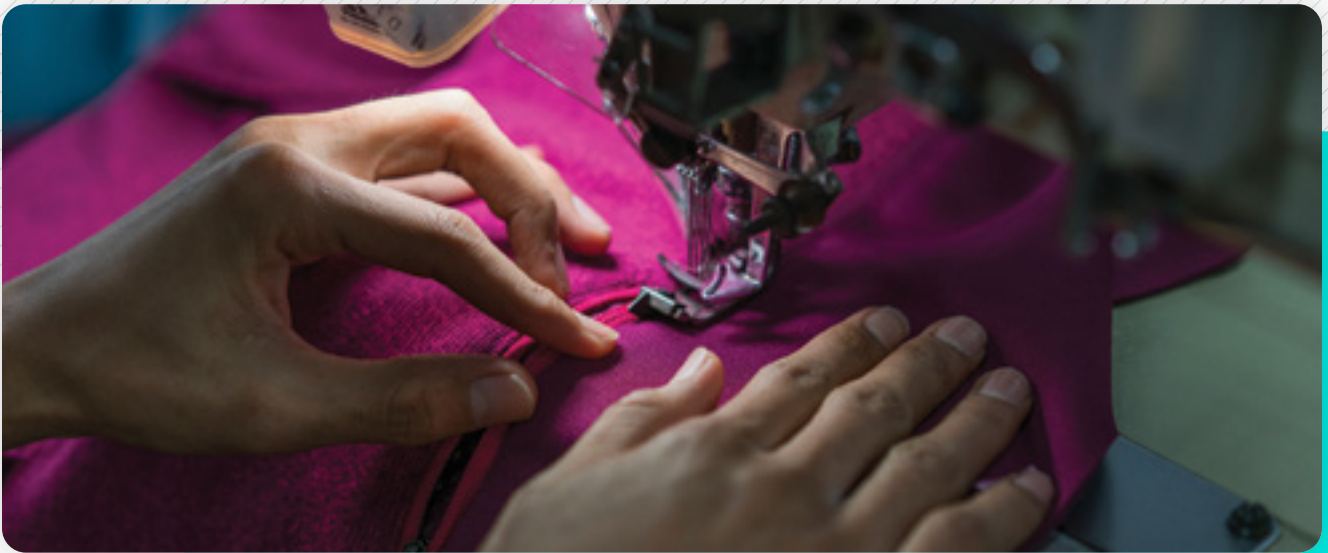
F E N T Y B E A U T Y

Fenty sets news standard for inclusivity

Artist turned mogul Rihanna leads by example in her cosmetics and lingerie ventures, launching Fenty Beauty with makeup for a full range of skin tones and prompting other competitors to add new shades to their own. Savage X Fenty, Rihanna's lingerie line, is the antithesis to brands like Victoria's Secret—models for Fenty are diverse and realistic, appealing to those who care about body positivity and changing cultural views on beauty.



Still, even brands oozing inclusive marketing must be prepared for backlash if shoppers perceive them as disingenuous. As you make decisions on how to position your brand, be sure you can back up those claims in your supply chain.



Transparency: the common thread

Without supply chain transparency, no ethically conscious strategy can work

Sustainability, fair labor practices—no matter the direction, every company needs clear visibility into supply chain operations.

Anvyl helps growing brands build scalable, sustainable supply chains by providing the transparency that's needed to enforce your company's values at every step.

Build an intelligent, ethical supply chain with Anvyl

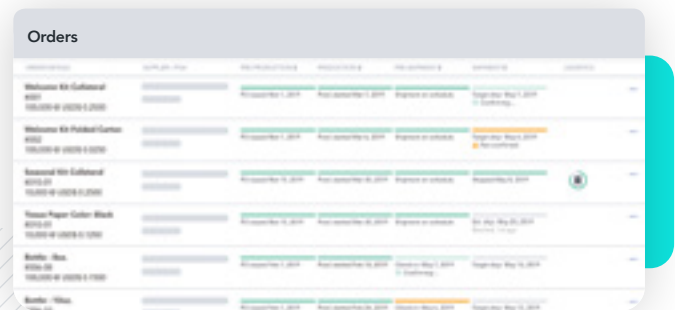
We created Anvyl to support growth and expansion without sacrificing strong oversight and visibility. Our Production Hub provides visibility while our Supplier Marketplace makes it easy to find ethical supply chain partners.

The Production Hub

Anvyl gives you lightweight, intuitive software that automates and streamlines crucial stages of the supply chain. Get visibility into your suppliers' activity, cost breakdowns, and detailed data on every logistics partner.

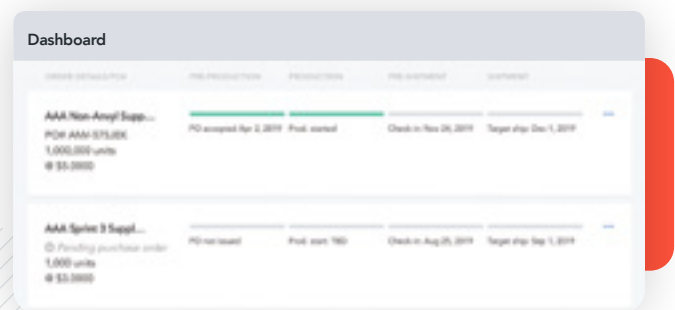
Production and logistics visibility

An instant snapshot of every product milestone and ETA.



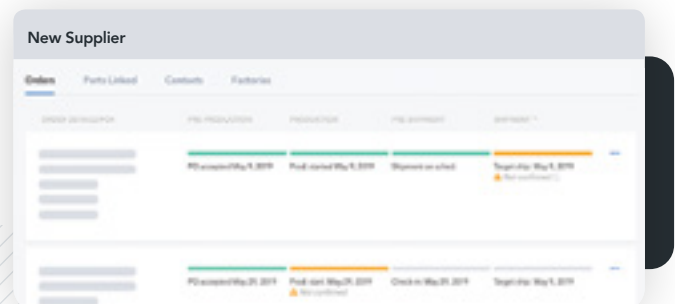
SKU and order management

Order details down to each part, supplier, and itemized cost.



Sourcing

One place to find and manage world-class suppliers.





Anvyl's Supplier Marketplace

Anvyl offers a single place to find and manage world-class suppliers. Choose from our highly vetted pool of suppliers to ensure cost competitiveness, dependability, and fair labor practices. Only 1% of suppliers pass our audit to join the network.

We certify based on:

- **Eco-friendliness**
- **Health and safety provisions**
- **Social responsibility**
- **Quality assurance**
- **Production capabilities**

**Learn how Anvyl can help you build
a robust ethical supply chain**

- [Request a Demo](#)
- [Learn More](#)