



PRODUCT SUSTAINABILITY AT REI

How can REI support the sustainability of its non-private label brands?

Masters project submitted in partial fulfillment of the requirements for the Master of Environmental Management degree in the Nicholas School of the Environment of Duke University

April 29, 2016

Tatyana Brown, MEM/MBA 2016
tatyana.brown@duke.edu

Adviser: Jay Golden, PhD

EXECUTIVE SUMMARY

Most of the merchandise sold at REI, a premier outdoor gear store, comes from non-private label brands. The Co-op owns four brands: REI, REI Co-op, evgrn, and Novara. However, REI's roughly 1,500 non-private brands present a tremendous opportunity to advance sustainability on the behalf of its over 6M members. With helpful context provided by REI, this project evaluated the opportunities for the Co-op to support the sustainability of these products by incorporating 3rd-party certifications, initiatives, and other standards into its merchandising criteria. It also looked at the opportunities for supporting the demand for these products by educating consumers.

The project coupled publicly available information on sustainability standards and brands' practices with interviews and a follow-up survey with sustainability leaders at REI's wholesale brands (18 and 15, respectively). It also included conversations with other retailers and industry experts. The resulting analysis recommends a collaborative framework for implementing tiered merchandising criteria that address brands' business needs and varied sustainability work. The project also evaluates how brands are using sustainability certifications; how they communicate product sustainability to consumers; and the extent of their knowledge about consumer attitudes and life cycle impacts. The recommendations include opportunities for REI to further engage consumers and take a leadership role on near-term and emerging issues like packaging and end-of-life systems. The project also suggests a framework of management practices for traceability and retailers' surveys for brands, leading internal organizational change, and supporting suppliers.

The following highlights summarize key sections of the report and recommendations for future work:

Creating Merchandising Criteria

Successful merchandising preferences for REI's non-private label brands would: 1) efficiently accelerate meaningful sustainability change 2) increase consumer awareness, and 3) enable REI's members to support more sustainable products.

Since the industry is coalescing around the Sustainable Apparel Coalition's (SAC) Higg Index, any framework for implementing sustainability merchandising criteria must effectively support this momentum. However, Higg Index scores for individual products will not be publicly available for several years. The topic of creating a successful short- and mid-term approach to accelerating product sustainability thus raises a

number of legitimate concerns. The key perspectives in the industry are highlighted in **Figure 1. Taking a Stance: Pull vs. Push?**

It is imperative to recognize that brands come from different starting points. They thus have different overall and topic-specific capabilities for sustainability improvement. Advanced sustainability merchandising criteria at REI therefore need a tiered approach with appropriate support and incentives to accelerate improvement. In balancing key industry perspectives on the challenges and opportunities related to "stand-alone" criteria, the very basic layer of a potential framework is sketched in **Figure 3. Pull vs. Push: Reconciling Approaches.**

Until the SAC's Higg Index scores are public, a retailer like REI could build sustainability momentum by supporting the Index's implementation, educating consumers, and recognizing brands that demonstrate improvement by meeting 3rd party standards. Maintaining flexibility in preferences for certifications within and across sustainability attribute groups should accelerate improvement while giving brands the flexibility they need to meet business needs.

At the same time, REI's merchandising criteria could support some carefully chosen individual preferences – such as key chemicals of concern that progressive brands are already working to address. Continued collaboration with its wholesale brands, the Outdoor Industry Association (OIA), the SAC, and other stakeholders can advance sustainability priorities and indirectly support improvements in Higg Index scores once they become public.

Appropriate short- and mid-term efforts for improving the merchandising process at REI would focus on educating consumers, working with stakeholders to help lift the industry and individual brands, and continuing to give REI's members better and better choices. Sustainability merchandising criteria shouldn't rank products without a holistic approach, divert brands' resources from their optimal use, or create detrimental competition on communicating about sustainability. **Figure 4. Establishing Criteria Through Consumers** summarizes a range of strategies that REI's participating wholesale brands have recommended for it to pursue in order to educate consumers and support helpful merchandising criteria.

Standards & Certifications: Industry Use

Brands tend to value many of the explored standards, certifications, and industry initiatives for risk management. They see the greatest risk in relation to animal welfare and chemicals management. Some standards will always have certain advantages over

others. However, in general, it may be helpful for REI to begin by accepting at parity all credible certifications in order to give brands the flexibility to meet their individual business needs.

For example, the Responsible Down Standard (RDS) and bluesign® partnership are gathering significant momentum in the outdoor industry. However, some brands have implemented other highly credible practices that could be at parity in REI's merchandising preferences, at least initially. For down and wool, REI's communication to consumers can focus on the substance of the improved materials – humane animal treatment. Over time, the industry would likely experience some convergence on the points of difference. Chemicals management may warrant some tiered preferences with longer-term goals for convergence. Consumer communication in the latter area could gradually engage REI's members with explanations about the differences between key standards and practices used in the industry.

For recycled content and more sustainable cotton, participating brands generally accept many certifications. As long as certifications are credible, brands use the ones more easily accessible in their supply chains. This doesn't lead to consumer confusion because, as suggested for down and wool, brands currently focus communications on the attribute itself – not the certification. It's notable that a number of brands prefer The Global Recycled Standard (GRS) as the industry "gold standard".

Consumer Communication Opportunities

Many participating brands proactively noted that consumers don't understand even the basic aspects of sustainability, such as recycled polyester. Many of the interviewed sustainability leaders believe that educating consumers is the most important impact REI could have as a retailer. As shown in **Figure 7. Interest from REI Wholesale Brands in REI Educating Consumers About Sustainability**, a significant number of brands are interested in REI taking a leadership role in this area.

As seen in **Figure 8**, REI's wholesale brands demonstrate significant variation in how they communicate online about product sustainability. REI's initial communication efforts can focus on brands that are comfortable with sustainability messaging. This will create further momentum and opportunities for others to join in the future. Based on reviewing how the studied brands message about sustainability online, the research hypothesizes that it's helpful to explain sustainability. (For instance, why a different type of cotton is better than conventional with respect to environmental and social impacts.)

However, it may be even more important to subsume this message within "performance" marketing: explaining why a more sustainable material offers superior performance benefits. At the pinnacle of effective sustainability communications is the opportunity to build a deeper connection with consumers. In some situations, it may be more effective to focus on health and other benefits, not environmental sustainability.

It seems that a limited number of brands have recently conducted studies about consumers' perceptions on sustainability issues (see **Figure 9. REI Wholesale Brands Conducting Studies on Consumer Attitudes Toward Sustainability in the Last Three Years.**) Without such studies, some brands may not have a strong understanding of how their consumer base perceives sustainability. Some brands are also grappling with the challenge of not knowing whether or not their studies have truly answered key questions. Credible new studies by REI could be especially helpful in this area.

The research identified a large field of untapped opportunities in communicating with consumers about sustainability. As one participant noted, "Marketing needs to make it positive, luxurious, aspirational." For brands that mention – but don't explain – sustainability attributes, an opportunity exists to actually show consumers the benefits. Consumer communication needs to translate operations (e.g. handcrafted, buying cotton directly from farmers, corporate donations related to sales) into a marketing story. These opportunities may even exist for certifications that aren't consumer-focused. Brands and retailers may also be able to use point-of-purchase communication as an impactful component of sustainability reporting.

Life cycle analysis studies are important for ensuring that communication about a product's sustainability benefits aligns with its actual environmental impacts. A considerable number have studied the impacts of their recycled polyester, other materials – or even products as a whole. However, a notable number of brands have not conducted LCA studies. The benefits of recycled content will vary from one brand's supply chain to another (conventional materials may be better in some supply chains). Retailers must thus be sensitive of this variation in communicating about the issue to consumers.

Leadership and Emerging Issues

Although this issue warrants further research, at least several of REI's brands expressed interest in REI leading the industry with a take-back program that would include their products (**Figure 13. REI**

Wholesale Brands Interested in Collaborating with REI on a Product Return Program).

A significant number of REI's participating wholesale brands also feel that there are at least some – in some cases significant – possible improvements in product packaging (**Figure 14. REI Wholesale Brands' Perspective on Opportunities for Collaboration on Packaging**). Participating brands provided suggestions for a framework to tackle this issue, as well as indicated specific opportunities for collaborating with REI.

One of the easier-to-implement suggestions may include for REI to evaluate whether it could accept used transport boxes from brands' distribution centers. At least with some brands, there may be other opportunities to further minimize, recycle, and reuse product packaging. Among the more challenging, but possibly highly impactful opportunities, is to collaborate with at least two brands that seek a retail partner to eliminate shoe boxes. In the mid- to long-term, REI could also redesign store product displays to promote packaging innovation.

Framework for Accelerating Improvement

To maximize the pace of change, it is ideal to set, whenever possible, specific long-term goals for product sustainability improvements. When retailers increase their communications about sustainability at the point of purchase, it's important to have prepared the resources to address related consumer inquiries.

For complex sustainability issues that require a more extensive explanation, a retail site's existing capabilities may be inadequate. If further explanations about sustainability issues are not available elsewhere on the site, a retailer may get an unexpectedly high number of consumer and NGO inquiries. Retroactively addressing individual inquiries will mean inefficient use of staff time.

In order for retailers like REI to reach ambitious goals, it's best to have the whole business committed to targets across categories, including merchandising. A part of success hinges on creating individual and/or team-based performance metrics. (Specific formulas should reflect the organization's individual culture.)

Beyond setting clear individual and/or team-based targets, it's helpful to incorporate recognition for both the retailer's buyers and its wholesale brands. Creating iconic sustainable products within a retailer's owned brands can also help to reach its long-term goals. A sustained focus in this area can further establish a culture of curating sustainable products; create healthy competition among the retailer's business units; and

improve the business case for advancing product sustainability among its wholesale brands.

Other recommendations from interviewed experts included a roadmap for long-term collaboration on product sustainability with wholesale brands. Among the key suggestions is providing intermediate rewards, especially for small and resource-constrained suppliers (**Figure 15. Framework for Collaborating with Wholesale Brands**). Retailers must also provide supportive tools and ensure accountability for improvement. Beyond a structured internal effort, it will be critical for REI to continue collaborating closely with other stakeholders in the industry: the Sustainable Apparel Coalition, the Outdoor Industry Association, Textile Exchange, other retailers like the Mountain Equipment Coop (MEC) in Canada, and leaders that spearhead the advancement of individual textile standards/certifications.

Recommendations for Future Work

Given the industry's coalescence around the Higg Index, it's important for a retailer's sustainability merchandising criteria to support the Index's use and development. Because the Index is still unknown to a lot of the industry, it would be especially helpful for REI to collaborate with key stakeholders like the SAC and the OIA to develop implementation roadmaps and a suite of tools that support the Index adoption at smaller brands. As part of future work in this area, researchers could also further cross-map individual sustainability standards/certifications to specific areas of the Higg Index modules. Significant work is also needed to identify and prioritize the implementation of concrete actions on social/labor standards in collaboration with The Social and Labor Convergence Project (facilitated across the industry by the SAC).

At the same time, additional inquiry is needed to better understand the opportunities and challenges associated with incorporating stand-alone attributes (like PVC-free) into retailers' merchandising criteria. Given significant variation across brands' products, consumers, and progress on the sustainability journey, additional research could support a helpful framework for tiered, category-specific merchandising criteria. Further work will also be needed to align this framework with an appropriate approach for educating consumers on related topics.

The field of understanding on how to best educate and support consumers in purchasing more environmentally and socially sustainable products is just emerging. As such, the opportunities for using the latest understanding of marketing and consumer psychology appear to be almost completely untapped and ripe for further research.

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GLOSSARY OF TERMS

Terms Sited in This Report

bluesign®: A global management system for textiles that was launched in 2000 and seeks to define safe, environmentally responsible materials for each step of the supply chain.¹ Based on Best (Locally) Available Technology, specifies requirements to minimize harmful substances and treat wastewater effluent. To reduce air emissions, the system targets the selection of materials and chemical products, as well as mandates adequate technology for exhaust air treatment. Bluesign® creates training programs on proper chemical storage and handling, as well as protection against dust and noise.²

BSR's Better Work: ILO/IFC partnership launched in 2007 to improve factory working conditions. Brands commit to support Better Work's factory advisory process, stop auditing participating suppliers, avoid parallel corrective action plans, not terminate orders based on reports, and use the Advisory Progress Reports when rating factories. The program focuses on building capacity and scaling country-wide solutions to systemic challenges. One of its key benefits is the Improvement Consultative Committee (half management/half worker representatives) that creates and implements improvement plans. In the near future, Better Work will include public reporting to give visibility on factory progress and accelerate improvement.³

CHEM-IQ: Launched by VF Corporation in 2013 in collaboration with the Natural Resources Defense Council. Possibly a "game-changer" for the industry, CHEM-IQ is a continuous improvement screening for 400+ potentially hazardous chemicals before their use at mills (including all 11 ZDHC priority categories). CHEM-IQ reduces the risk of product RSL failures, wastewater pollution, and worker safety issues. It assumes batch-to-batch consistency from chemical suppliers, which may not always be the case. Other concerns focus on permissions for the orange "Due Diligence Required" category among the "preferred", "allowed", and "prohibited" groups. It has no "positive" list at the moment.⁴ In 2015 VF aimed to continue implementing CHEM-IQ across its entire supply chain.⁵

Global Recycled Standard (GRS): Effective as of August 2014, the GRS comes with chain-of-custody requirements of the Content Claim Standard. It was "intended to be a strong and thorough set of processing requirements, giving the industry a target". The GRS is thus meant to go beyond legal requirements and eliminate the worst practices, although it may be difficult for some suppliers to attain. Its labor requirements are built on the ILO's Declaration on Fundamental Principles and Rights at Work. The standard's environmental requirements include chemical and environmental management systems; monthly energy and water use tracking and annual reduction; management of wastewater treatment, air emissions, and waste. The GRS accepts equivalent 3rd party audits. It also looks to incorporate the ZDHC's MRSL and eventually leverage the industry's work on moving toward a positive list of allowed chemicals.⁶

Global Traceable Down Standard: Among other stipulations, focuses on eliminating live-plucking and force-feeding used to produce foie gras. Patagonia collaborated with others to create this certification based on its own requirements in early 2014 – including Four Paws, the Outdoor Industry Association, the European Outdoor Group, and the German Sporting Goods Industry Association. The standard provides a multi-tiered approach and onsite audits from parent farms to the slaughterhouse. Farms are verified to have management systems to segregate certified down from conventional down. NSF adopted it as its "highest tier" for better down certifications.⁷

¹ Matthews, B. (2015, Jul 13). bluesign launches blueXpert online tool. *Ecotextile News*. Retrieved from <https://www.ecotextile.com/2015071321591/dyes-chemicals-news/bluesign-launches-bluxpert-online-tool.html>

² bluesign. (2015). October 2015 newsletter. Retrieved from http://www.bluesign.com/sites/newsletter/newsletter-october-2015#.Vp6p_krK00

³ Better Work. (2015). Retrieved from <http://betterwork.org/global>

⁴ Mowbray, J. (Dec 2014/Jan 2015). VF launches textile chemical screening tool. *Ecotextile News*. Retrieved from <http://issues.ecotextile.com/go/dec2014-jan2015/#.VfzTbt9Vikr>

⁵ Gonzalez, N. (2015, Feb. 5). VF corp. looks to cut chemicals in textile manufacturing. *TriplePundit*. Retrieved from <http://www.triplepundit.com/special/sustainable-fashion-2014/vf-corp-looks-cut-chemicals-textile-manufacturing/>

⁶ Textile Exchange. (2014). Global Recycled Standard, v3/Global Recycled Standard, version 3: stakeholder review feedback and responses – first & second stakeholder review (December 19 – February 20, March 27 – April 28)/Textile Exchange accepted equivalent standards/Textile Exchange Global Recycled Standard, version 3.0 implementation manual/Textile Exchange Global Recycled Standard, version 3.0: logo use and labeling guide. Retrieved from <http://textileexchange.org>

⁷ Fetcher, A. (2015). NSF releases global traceable down standard - developed with Patagonia. Retrieved from <http://www.patagoniaworks.com/press/2015/2/3/nsf-releases-global-traceable-down-standard-developed-with-patagonia>

HERproject: Launched in 2007, HERproject is active at 300 factories and farms in 13 countries. Originally co-funded by the Levi Strauss Foundation, the project incorporates worker well-being programs into suppliers' operations. It supports apparel factory workers by educating them about financial literacy and health, supporting healthcare access and healthier actions.⁸ As LS&Co. states, "What distinguishes this initiative from others is that we survey the workers so we can tailor the program to the topics they care about the most."⁹

Leather Working Group (LWG): This standard for assessing the environmental management of leather tanneries recognizes ISO 14001 as a component – but, unlike the latter, quantifies environmental performance against set guidelines. While ISO 14001 relates only to the organization assessed, LWG measures environmental performance along the whole supply chain. Unlike ISO 14001 certified organizations, LWG tanneries are benchmarked against each other to incentivize improvement. LWG also requires (not asks for "commitment", as per ISO 14001) to comply with legal requirements. LWG requires suppliers to show how – and to what extent – they have achieved traceability for raw materials. The ratings of "Fail", "Audited", "Bronze", "Silver", and "Gold" depend on the level of performance along the supply chain.¹⁰ LWG doesn't cover social, ethical, health & safety, and animal welfare issues.¹¹

Oeko-Tex 100: To comply with Oeko-Tex 100 chemistry requirements, products are tested after production for substance residues.¹² Launched in 2013, Oeko-Tex 100 is a certification for materials, intermediate, and end-products that evolves to reflect changing legislation. It also covers harmful substances that are not forbidden by law. Beyond textiles, this standard is also applicable to leather and non-textile accessories.¹³ All components of an item have to comply with the required criteria, which are tiered in four classes of strictness: 1) for "babies and toddlers up to 3 years" 2) textiles used close to skin 3) textiles used away from skin 3) furnishing materials.¹⁴

Responsible Down Standard (RDS): Originally developed by The North Face, the RDS was released in January 2014 in collaboration with Control Union and Textile Exchange. It aims to prevent force-feeding and live-plucking, while also managing issues like feed and water quality, shelter, access to the outdoors, birds' health and hygiene, and practices for controlling pests and predators. It includes 3rd party audits and traceability through final products,¹⁵ from hatchling to final garment production.¹⁶ The revised version of 1/2015 includes a voluntary module to assess farms that raise parent birds, prohibits simultaneous manufacturing of certified and non-certified down on farms, strengthens regulations for birds' welfare and auditing, and only allows labeling for 100% RDS products.¹⁷

The Higg Index: The Higg Index is the Sustainable Apparel Coalition's (SAC) suite of standardized self-assessment tools for the apparel, footwear, and home textile industry businesses across the supply chain. It evaluates the environmental and social impacts of products and services.¹⁸ The Index supports brands, retailers, and manufacturing facilities of all sizes, both leaders and beginners in the sustainability journey. Its Brand Module covers corporate policies and practices. Separate environmental modules for apparel and footwear address product impacts through the lifecycle – from materials sourcing to end-of-life disposal. The social/labor module addresses internal workforce practices, as well as efforts to help manufacturing partners improve their performance. Index scores are anonymized and aggregated, which allows businesses to benchmark themselves against the industry.¹⁹

⁸ HERproject. (2016). HERproject/HERproject company participants. Retrieved from <http://herproject.org/>

⁹ Levi Strauss & Co. (2015). Sustainability: people. Retrieved from <http://www.levistrauss.com/sustainability/people/>

¹⁰ Leather Working Group. (2014). ISO 14001 versus LWG audit protocol – key differences. Retrieved from <http://www.leatherworkinggroup.com/images/documents/LWG%20versus%20ISO%2014001.pdf>

¹¹ Leather Working Group. (2015). Leather working group (LWG) frequently asked questions. Retrieved from <http://www.leatherworkinggroup.com/images/documents/LWG%20FAQs%20Oct%202015.pdf>

¹² Ravasio, P. (2013, Jun 26). Greenpeace's Detox – developing the market for bluesign, OekoTex STeP? Textsture.com. Retrieved from <http://textsture.com/greenpeaces-detox-developing-the-market-for-bluesign-oekotex-step/>

¹³ Almeida, L. (2015). Ecolabels and organic certification for textile products. In S. Muthu (Ed.), *Roadmap to sustainable textiles and clothing: regulatory aspects and sustainability standards of textiles and the clothing supply chain*. Singapore: Springer Science+Business Media.

Choudhury, R. (2014, Oct 9). Development of eco-labels for sustainable textiles. *Textile Science and Clothing Technology*: 137-173.

¹⁴ Made-By. (2015). STeP by OEKO-TEX. Retrieved from <http://www.made-by.org/consultancy/standards/oeko-tex-step/>

¹⁵ Kauffman, C. (2015, Jan 21). REI, adidas, Timberland and more commit to sourcing down responsibly. *Sustainable Brands*. Retrieved from http://www.sustainablebrands.com/news_and_views/supply_chain/caitlin_kauffman/rei_adidas_group_timberland_more_join_outdoor_apparel_e

¹⁶ *InsideOutdoor Magazine*. (2015, Feb 26). Feathered friends. Retrieved from <http://insideoutdoor.com/feathered-friends/>

¹⁷ Kauffman, C. (2015, Jan 21). REI, adidas, Timberland and more commit to sourcing down responsibly. *Sustainable Brands*. Retrieved from http://www.sustainablebrands.com/news_and_views/supply_chain/caitlin_kauffman/rei_adidas_group_timberland_more_join_outdoor_apparel_e

¹⁸ Sustainable Apparel Coalition. (2016). The Coalition. Retrieved from <http://apparelcoalition.org/the-coalition/>

¹⁹ Sustainable Apparel Coalition. (2016). The Higg index. Retrieved from <http://apparelcoalition.org/the-higg-index/>

The Outdoor Industry Association (OIA): The U.S. trade association for more than 4,000 manufacturers, retailers, suppliers, and sales representatives in the outdoor recreation industry.²⁰ Formed in 2007, the OIA's Sustainability Working Group consists of over 300 outdoor brands, retailers, suppliers and other stakeholders that collaborate to decrease their products' environmental and social impacts.²¹

The Sustainable Apparel Coalition (SAC): A leading alliance of international apparel, footwear, and home textile industries collaborating to advance environmentally and socially sustainable production. The SAC's key focus is on developing and advancing the use of the Higg Index, a set of modules intended to help industry stakeholders measure and reduce their impacts along the value chain.²²

Uzbek Cotton: According to the Responsible Sourcing Network (RSN), the Uzbek government makes over 1M citizens work annually in the cotton fields, including shutting down schools and public offices for three months. All citizens have mandatory daily quotas, and only some receive \$1/day (while they may be charged for food and cramped lodging). RSN thus asks partner brands and retailers to publicly commit to not knowingly source Uzbek cotton until the Government of Uzbekistan stops using forced child and adult labor in its cotton sector (to be verified by the ILO). Partners acknowledge that they are collaborating with a multi-stakeholder coalition to raise awareness and press for the elimination of this issue. They also create procedures to monitor supplier commitment and implement a traceability program for all cotton products and textiles across the value chain. Brands report publicly on steps taken to ensure that this policy is communicated, monitored, and executed by garment manufacturers, fabric mills, and yarn spinners.²³

Zero Discharge of Hazardous Chemicals (ZDHC) 11 Priority Groups: In 2011, six textile brands published ZDHC's first Joint Roadmap, identifying 11 priority chemical classes for elimination from their supply chains by 2020. These chemical classes include: Alkylphenol Ethoxylates/Alkylphenols (APEOs/APEs), Brominated and Chlorinated Flame Retardants, Chlorinated Solvents, Chlorobenzenes, Chlorophenols, Heavy Metals, Organotin Compounds (e.g., TBT), Per- and Polyfluorinated Chemicals (PFCs), Phthalates (ortho-phthalates), Short-chained Chlorinated Paraffins (SCCPs), and Azo Dyes that may release carcinogenic amines as defined in Annex XVII of the REACH Regulation (EC) No 1907/2006 of the European Parliament and of the Council.²⁴

Zero Discharge of Hazardous Chemicals (ZDHC) Manufacturing Restricted Substances List (MRSL): The MRSL, released in 2014 with a new audit protocol, sets a standard level for chemical inputs in facilities processing apparel and footwear textile materials and trims (including leather, but it exempts metal trims). This allows products to meet brands' restricted substances lists (RSLs) and reduce effluent toxicity.²⁵ The MRSL covers appropriate toxicants within ZDHC's 11 chemical groups to be phased out by 2020, as well as other key substances.²⁶ It does not cover all RSL substances, and brands establish their own individual implementation timelines. The ZDHC coalition is exploring certifications that could allow chemical manufacturers to declare their chemical formulations MRSL-compliant.²⁷ The ZDHC is also working to harmonize its audit tool with the SAC's – as well as develop wastewater quality guidelines.²⁸

²⁰ Outdoor Industry Association. (2016). Who we are. Retrieved from <https://outdoorindustry.org/who-we-are/>

²¹ Outdoor Industry Association. (2016). Corporate responsibility. Retrieved from <https://outdoorindustry.org/advocacy/corporate-responsibility/>

²² Sustainable Apparel Coalition. (2016). The coalition. Retrieved from <http://apparelcoalition.org/the-coalition/>

²³ Responsible Sourcing Network. (2016). Company pledge against forced labor in the Uzbek cotton sector. Retrieved from <http://www.sourcingnetwork.org/the-cotton-pledge/>

²⁴ ZDHC. (2011). Joint roadmap: toward zero discharge of hazardous chemicals. Retrieved from http://www.roadmaptozero.com/fileadmin/layout/media/downloads/en/Joint_Roadmap_November_2011.pdf

²⁵ International Leather Maker. (2015, Nov 5). ZDHC Foundation to launch leather MRSL at the Leather & Sustainability in Retail Conference. Retrieved from http://internationalleathermaker.com/news/fullstory.php/aid/2228/ZDHC_Foundation_to_launch_Leather_MRSL_at_the_Leather__Sustainability_in_Retail_Conference_2015.html#sthash.vGFG4ymP.dpuf

²⁶ Archroma. (2016). Supporting the textile industry's road to zero discharge. Retrieved from <http://textiles.archroma.com/zdhc/>

²⁷ PUMA. (2015). Manufacturing restricted substances list: Zero Discharge of Hazardous Chemicals programme. Retrieved from http://about.puma.com/damfiles/default/sustainability/environment/zdhc/program-documents/MRSL_QA-75a41620a572182b0be816606037a02e.pdf

²⁸ Mathews, B. (2015, Sept. 16). ZDHC update puts focus on implementation. *Ecotextile News*. Retrieved from <https://www.ecotextile.com/2015091621708/dyes-chemicals-news/zdhc-update-puts-focus-on-implementation.html>

INTRODUCTION

CONFIDENTIALITY

This research aims to provide recommendations that may be helpful to REI. It also strives to support as much as possible the sustainability efforts of its individual wholesale brands – and it must ensure confidentiality for all research participants. Except for instances where participants requested anonymity, the study’s full findings with attributions were shared with REI.

This public version of the report excludes significant sections and pertinent details of the research in order to protect the needs of participating organizations. In individual instances, publicly available information is attributed to specific organizations. These examples are part of the study’s broader secondary research, and the companies cited may or may not have been interviewed or surveyed in this project. References were placed in the appendix and largely excluded from the publicly shared document since they include some names of individual organizations associated with the project.

ACKNOWLEDGEMENTS AND DISCLAIMERS

Recommendations provided herein are based on the thoughtful and generous data, insights, and recommendations by participating brands, retailers, and other industry practitioners.

However, the author’s conclusions are a personal synthesis of these perspectives and do not reflect in entirety the position of any participating company or individual. The author’s perspective may, furthermore, reflect or not reflect REI’s past or present work on product sustainability. It also does not indicate that REI will – if it hasn’t done so already – choose to implement all or any of these recommendations in the future.

The author is tremendously grateful for the opportunity to learn from the experience and expertise of everyone who participated in this project. Wherever the following perspective may stray from its ideal trajectory, the researcher hopes that these recommendations can still support the industry as a framework for discussion.

INTRODUCTION

RESEARCH METHODS

Publicly available research on textile sustainability standards and brands' sustainability practices provided the baseline for this project's analysis. It was complemented with interviews and a follow-up survey with sustainability leaders at REI's wholesale brands (18 and 15, respectively). The project also included conversations with other retailers and industry experts. Except where explicitly cited otherwise, this document's insights come from research interviews with industry stakeholders and the follow-up survey. The explored standards, certifications, and industry initiatives include:

Chemistry: bluesign®, ZDHC MRSL, ZDHC 11 Priority Chemical Groups, Oeko-Tex 100, CHEM-IQ

Recycled Materials: Global Recycled Standard (GRS), Recycled Content Certification Standard, Intertek Recycled PET Product Conformity Certification

Better Down: Responsible Down Standard (RDS), Global Traceable Down Standard, Downpass

Better Leather: Leather Working Group (LWG)

Better Cotton: Better Cotton (BCI), USDA Organic, Cotton Made in Africa and CMiA Organic, GOTS, Organic Content Standard (OCS), Uzbek Cotton

Forest Fibers: Canopy's Fashion Loved by Forest, Forest Stewardship Council (FSC)

Social/Labor: Fairtrade Textile Standard, FLA, ILO, SA8000, WRAP, Better Work, BSR's HERproject

Manufacturing: Made in the USA, ISO 14001 for suppliers

I. CREATING MERCHANDISING CRITERIA

Avoiding Resource Diversion, Consumer Confusion

As one brand’s CSR leader noted, “The worst thing you can do is create a competition for brands on communicating about sustainability.” It’s arguable that some competitive spirit can elevate the internal importance of sustainability at individual brands. It can also enable more external communication that increases consumer awareness of related issues – and demand for sustainability. However, it’s obviously important to strike a balance and avert a significant shift of resources from brands actually doing – to discussing publicly – their sustainability work. Furthermore, it is critical to avoid the scenario where brands or consumers feel that messaging about individual products doesn’t correspond to their actual sustainability performance.

It can, in fact, be quite challenging to establish a list of criteria that are both objective and well-verifiable. As another brand’s sustainability leader pointed out, REI must be careful not to advertise too much less sustainable products with some good features. Aside from creating undue competition among brands, such marketing can rightfully lead consumers to ask, “Why isn’t the whole product more sustainable?”

Incorporating Stand-Alone Criteria

The big question for REI is what role it should play in advancing product sustainability in the industry. Should it essentially be “pulling” to lift its brands in synch with the current industry momentum – or should

it “push” further in some areas to accelerate the pace of improvement? The key perspectives expressed by the industry on this subject are shown in **Figure 1. Taking a Stance: Pull vs. Push?**

Concerns about the introduction of stand-alone merchandising criteria in addition to REI requesting Higg Index use are very important to note. At the same time, many brands are already tackling key “stand-alone” sustainability issues in areas where such work meets known or likely to soon-be-supported consumer preferences. Whenever efforts in these areas will map to consumer demand and improvements in Higg Index scores, creating supportive preferences in merchandising criteria could help – not divert resources – from the Higg Index Implementation. No merchandising criteria should steer brands’ resources away from focusing on the Higg Index. Yet, without

The Power of Stand-Alone Criteria: *“I think there’s a gold nugget here. Our focus needs to be in the product brief in the beginning of the season. If it’s written in the product brief and the merchandiser sees that there has been an effort from REI to indicate certain criteria, this will travel the whole chain of command.”*

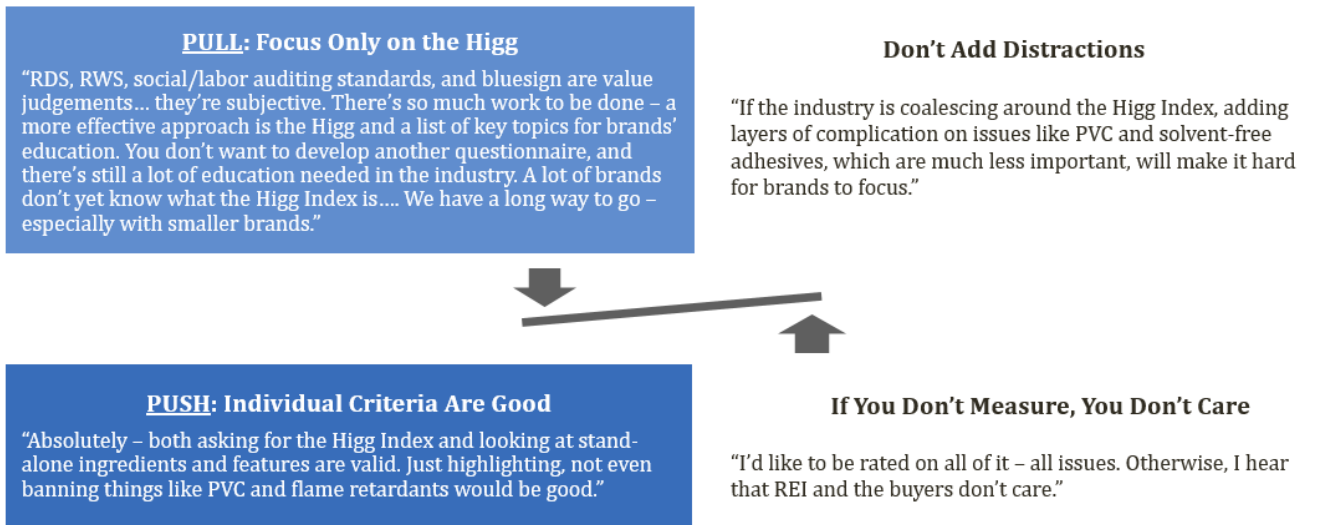


Figure 1. Taking a Stance: Pull vs. Push?

express preferences from REI on particular standards, certifications, and other sustainability attributes, its wholesale brands may not be able to justify fast improvements in those areas.

The challenge for REI and the industry is thus about striking the appropriate balance. REI should offer optimal support for the industry’s adoption and use of the Higg Index. At the same time, it should accelerate consumer awareness of sustainability issues in order to increase the demand for sustainability before brands’ Higg Index scores become available to the public.

Although this project began with research on sustainability standards and certifications, insights from brands’ sustainability leaders indicated the need to at least consider including some other specific preferences. As seen in **Figure 2. REI Wholesale Brands’ Receptivity to Stand-Alone Criteria**, a significant number of REI’s participating wholesale brands were receptive to judicious incorporation of stand-alone preferences. A slightly higher number had no specific recommendations. As shown in **Figure 3. Pull vs. Push: Reconciling Approaches**, it will be important for REI to collaborate with its brands in order to reconcile perspectives and establish sound stand-alone preferences.

These stand-alone criteria could include potential category-specific chemistry issues like flame retardants, durable water repellents (DWR), and PVC, as well as sand-blasting for jeans, etc. Some of these topics may not yet be ready for direct communication to consumers. However, they’re targets for REI as an authentic, proactive industry leader that seeks to protect consumers, workers who make the products it sells, and the environment. As one brand’s sustainability leader pointed out, European retailers are already asking brands for their numbers related to legal limits for individual chemicals.

As one brand’s leader suggested, REI’s early-stage engagement framework could ask brands:

1. Are you using the Higg Index brand, facility, and social/labor modules? (yes/no)
2. Do you have a Code of Conduct? Do you do 3rd party audits? (yes/no)
3. Please demonstrate compliance with The Consumer Product Safety Improvement Act (CPSIA) stipulations.
4. Stand-alone requirements, such as for individual chemicals.

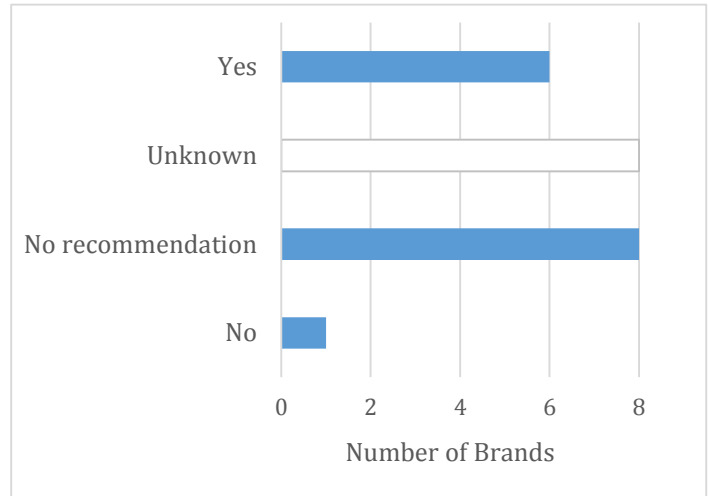


Figure 2. REI Wholesale Brands’ Receptivity to Stand-Alone Criteria, n=23

On Some Sustainability Points, Begin with Inquiries

In addition to requesting that its wholesale brands use the Higg Index, REI could also ask them to use the SAC’s broader tools, such as the Design and Development Module (which a couple of participating brands were especially excited to start using). Although a supplier Code of Conduct is common practice in the industry, smaller companies may still be struggling in this area. With respect to CPSIA regulations, such a request from REI may help some smaller brands dedicate additional resources to further focus on tracking and archiving related documentation for upward of 100 styles in many different colors.

Focus on Discussing the Process, not the Criteria

The topic of educating REI’s consumers raises the question of this communication’s longer-term goals. When brands begin to publicly use the product Higg Index score, it could be said they won’t need to dive into minutia regarding the messaging on specific attributes. However, deeper consumer knowledge of sustainability is valuable on its own as it can accelerate positive change. Furthermore, eventual messaging for some brands may still need to include the more “emotional” and visual stories on individual sustainability features.

Beyond the Numbers: Needing Emotional Connection

As one brand’s sustainability leader noted, *“Higg scores will never be enough for us; we’ll use them as a backing credibility point for stories that resonate with consumers”*.

In the meantime, it is a worthy goal for REI to educate its members and the public about sustainability. It would also be helpful for REI to use this growing consumer momentum to further increase the focus on sustainability within the management structure of its wholesale brands. As an authentic industry leader, REI may be able to create consumer demand for sustainability where it doesn't yet exist as strongly as it should in the future. Some brands are leaders on specific sustainability issues and may want to communicate about individual attributes to demonstrate their work in a field where consumers may not care now – but will in several years.

Even prior to establishing specific merchandising preferences, REI can identify a guiding public framework including materials, durability, packaging, chemistry and chemicals management, manufacturing sustainability, labor, etc. Wherever it cannot yet prohibit specific attributes or directly compare products, REI can still focus on consumer education about desirable features, continue selecting more sustainable products, and highlight better product features for individual brands. REI can thus be a steward of better choices across the industry on its members' behalf. It can also help consumers to become more educated stewards who support the industry in making better products.

Reconciling the Higg Index and Stand-Alone Criteria, Establishing Supportive Incentives

As one brand's sustainability leader stated their preference for merchandising criteria, "The Higg Index is the most comprehensive tool to use rather than sporadic certifications like BSR's Better Work, LWG, Fair Trade, bluesign®. When brands have these, it will play a role in their score. With stand-alone requirements on materials and chemicals, it will be a subjective list until we have good tools to measure their impacts. REI could ... [help to create those tools] and begin by asking questions."

In parallel with this framework, REI could use individual sustainability certifications or other stand-alone criteria as stepping stones toward progress that supports brands' overall improvement. (It would be important for REI to especially consider standards and features that resonate with consumers by virtue of being well-known outside the outdoor industry. At the same time, it would be helpful to leverage efforts by larger non-OIA brands and retailers like Walmart and Target, working with the broader SAC community and other stakeholders inside and outside the outdoor industry.)

The framework in **Figure 3. Pull vs. Push: Reconciling Approaches** combines a number of perspectives on how REI could best support the environmental and

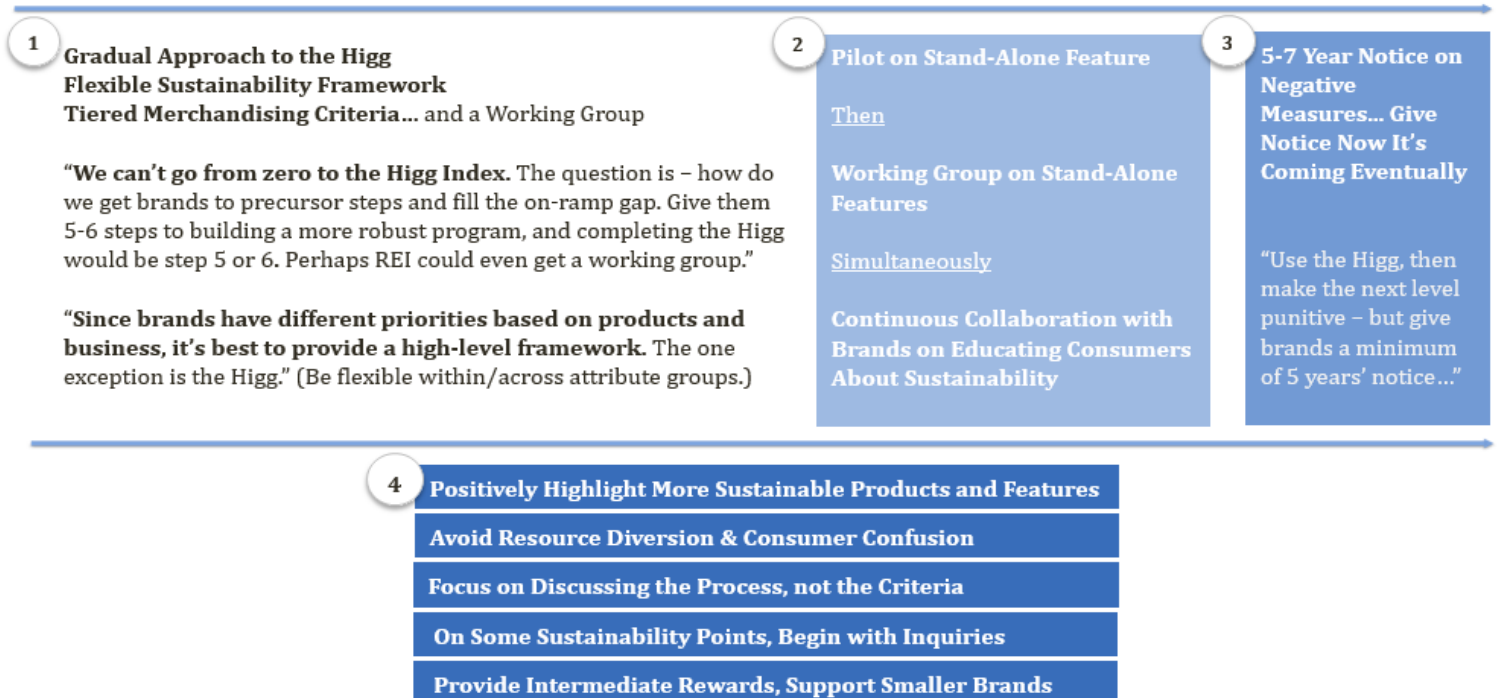


Figure 3. Pull vs. Push: Reconciling Approaches

Making Surveys with Impact

1. Just get started, it helps with brands' business case.

"In the past we've gotten questionnaires from four retailers. These held a lot of weight internally and helped to remind the brand about what we need to be implementing and tracking. The surveys support the level of interest from retailers as they are our customers and push back on improving sustainability efforts."

2. Make sure each question has a strong objective. As one leader in the industry stated, it's important to ensure that REI doesn't create a survey that has a lot of bark without bite. If a brand has to do almost nothing extra to improve and the retailer does nothing with the data collected, this questionnaire will make no difference at all.

3. Have fewer, but challenging KPIs, maybe around 15. "When you have a lot of questions and they're easy, it's not a meaningful activity." With buyers already tracking other business metrics, they may discuss just 1-5 sustainability KPIs.

4. Offer guidance, voluntary intermediary questions.

5. Ask about a brand's broader sustainability work. "It would be great if REI merchants asked brands, 'Talk to me about sustainability attributes and what you'll be doing in the future' (which will eventually translate into Higg scores) [...] A lot of consumers don't only care about the individual products, but also want to trust the company – so it's important to ask what the company could do more broadly. How much polyester is recycled, how much nylon is recycled?" What's physically possible is different for different brands, so REI's messaging to consumers would need to reflect that reality.

6. It's about sales. "There would need to be teeth. Not through an email, not a questionnaire, but in a merchandising meeting. 'If you do this, I will buy more, promote more, or co-sponsor an initiative with you.'" (Design challenges and co-marketing would resonate well with major REI brands, but not those that sell less at REI.)

As one REI brand stated, REI's marketing can really make an impact. "Two years ago we launched a product with a big marketing campaign and sales were phenomenal. If we knew they were going to do that, it would make an impact. REI has the ability to change consumers' minds. We could identify next steps that we could agree would be an improvement." For instance, if a brand's owned or contract facilities were close to zero waste, perhaps REI could provide greater publicity to make the remaining effort worthwhile.

social sustainability of its wholesale brands – as well as support its customers in choosing better products.

With respect to using the Higg Index, REI could share anonymous brand, facilities, and product modules benchmarking with its wholesale brands, coupled with non-punitive annual goals for improvement (e.g. as a percent of the total score). As one sustainability leader in the industry suggested, there may be a special opportunity to use the Higg Index as a mechanism to focus on improving social and labor conditions.

This Higg Index approach could also be adopted for stand-alone issues: for instance, REI could request brands to submit their average pattern efficiency for each product category. It could then show where brands fall in the overall distribution, above or below average. Improvement targets for stand-alone criteria could require overall progress, allowing brands the discretion to prioritize areas that best meet their individual materiality needs.

Merchandising criteria must vary by product category to accommodate products' different lifecycle impacts. A good number of possible stand-alone criteria could relate to product chemistry, and REI should thoroughly vet these criteria with brands and other industry partners before beginning significant efforts to educate consumers on these issues. (This topic warrants further research. Since apparel is easier in content and explanation about using better chemistry, this could be a good starting point.) In collaboration with its wholesale brands and other stakeholders, REI could begin by setting a bar that is fairly easy for the majority of its brands to meet – and then re-open the playing field with a higher requirement.

Importantly, REI must enforce the stated consequences for brands that are consistently

Enforcing the Higg Index: *"The real impact is with manufacturing raw materials at the Tier II level where REI can help brands drive Higg Index implementation. However, if we have hundreds of suppliers, we're already moving as fast as we can. I don't think REI could influence this rate. But REI could help to enforce the Higg Index. You have to be on top of sustainability to have loyal customers. Even small brands that can't really afford sustainability can use the Higg."*

failing to improve. As one brand’s sustainability leader also suggested, “REI could [eventually] only source products with a minimum Higg Index score.”

Establishing Criteria Through Consumers

Because consumers’ understanding of sustainability issues is still limited, REI and its brands will need to establish the most important attributes that better products should demonstrate. At the same time, REI will need to establish systems that enable its members to better understand sustainability and choose products that demonstrate more sustainable features.

Participating brands and retailers expect that consumers’ interest in sustainability issues will continue increasing. Although it is already a significant factor for some, this definitely isn’t so for others. **Figure 4. Establishing Criteria Through Consumers: “Build it, and They’ll Come”** includes some representative recommendations from brands. P agree on the need to further educate consumers on even the basic issues of product sustainability.

When it comes to selling more sustainable products, brands and retailers must collaborate to help consumers understand how sustainability aligns with their values. As one participant put it, “When we open up more to customers, they’ll ask more questions that lead to conversations. We need simple messaging, and we’re working toward that.” In time, this continually fueled consumer demand should establish a positive self-reinforcing loop. REI’s messaging on sustainability fosters increased consumer demand for better products; this supports stronger merchandising criteria which, in turn, enables more powerful messaging about product sustainability to consumers.

It’s challenging to identify a list of search-able features that isn’t subjective, which further reinforces the need to ensure that REI doesn’t create a game where the best communicator wins regardless of products’ objective sustainability rankings. At the same time, this may be a situation where perfect shouldn’t be the enemy of the good.

Given that consumers care about a brand’s overall reputation, it may also be helpful for REI to explore further opportunities for general in-store branding that isn’t attached to individual products (for instance, about Levi’s Water<Less campaign).

Possible Consumer Education Means

1. Explain the Basics

“Consumers are confused with ‘eco’, ‘sustainable’, ‘environmental’ – REI could explain the basic things like recycled polyester, organic cotton, less solvents, water-based adhesives. Addressing conflict minerals is too deep.”

2. Story-Telling/“How It’s Made” Series

“Do you know how leather is tanned? What are conflict minerals? Here’s how tents are made – and how we make them better at REI!”

3. More Online Search Filters, Pop-Ups

“If REI can make its site filter-able for attributes like organic, recycled, PVC-free, solvent-free adhesives, it will drive merchants to select better products that they can differentiate.” Incorporate “Learn More”, like why PVC is bad.

4. Co-Promote Sustainable Products

“REI could launch a design competition [...] and say ‘I will co-promote with you if you make a closed-loop product. That will give designers an incentive.’”

5. Discuss Brands’ Efforts More Broadly

“A lot of consumers don’t only care about the individual products, but also want to trust the company.”

Tiered Merchandising Criteria

Figure 4. Establishing Criteria Through Consumers: “Build It, and They’ll Come”

Being Flexible Within and Across Attribute Groups

It’s tempting to rank sustainability standards and certifications, comparing their strengths and weaknesses across a number of factors. However, it may be most helpful if merchandising preferences for wholesale brands accept equally all credible standards and certifications. Within attribute groups – materials, for instance – it may be best for a retailer to accept all credible standards for recycled content. For more sustainable cotton, REI could prefer equally BCI and various credible organic certifications – and even Fair Trade and recycled.

A retailer’s merchants should thus have the freedom to decide whether the product they choose will be one with some type of better cotton – or whether it will be one that has another sustainability attribute (or a set of attributes). For example, a retailer could set a policy to prefer products with sustainability attributes that span the categories of: 1) materials, such as better cotton,

polyester, etc. 2) Materials processing, such as using less water, energy, and chemicals, and 3) Manufacturing facilities sustainability for Tier 1, as well as Tier II – such as labor/social impact management (as verified through a combination of certifications and audits). As one of the study’s participants said, “You really have to cover all issues, even if you always have priorities. Otherwise you could have a major problem and it could all come tumbling down.”

Paving for flexibility within and across attribute groups supports continuous sustainability improvement without 1) serious burdens on brands to reorganize their supply chains 2) creating untenable price premiums that consumers cannot accept 3) disadvantages for smaller, but progressive brands, and 4) unfair consumer perceptions and communication disadvantages for products that don’t meet a specific requirement – but perform well in other categories.

A larger brand with more supplier leverage, for instance, may find it easier to use more sustainable cotton or recycled polyester at large scale – and with lower impacts to its margin. Given that outdoor apparel products tend to use less cotton, this material may be a challenge as many brands don’t have the large scale desirable for making improvements. (Given staffing resource constraints, brands also frequently focus on larger-volume materials.)

However, when a retailer begins to message more about sustainability, consumers may also ask about better cotton – especially since some of REI’s brands do use it. At least one interviewed brand felt that it’s harder to market better cotton as a performance benefit (vs. polyester or wool). However, the messaging for some brands does frame better cotton from the perspective of the benefits it provides directly to consumers.

Furthermore, impacts must be seen from a life cycle perspective. With respect to recycled content, some brands’ supply chains may actually make it less sustainable than conventional materials. Sustainability leaders are highly aware of this issue, and they devote brands’ resources accordingly. For instance, designing a less-lasting bag from recycled polyester may not be preferable to a highly durable bag made of non-recycled nylon.

In giving due consideration to business constraints, it’s important to remember that consumers frequently don’t expect to pay a premium for sustainability. Some of the feedback received in interviews was that, compared to organic cotton, “BCI remains competitive without excessive premiums, except in a few cases. This is important because customers won’t pay extra despite what they say in surveys.”

For recycled content, “customers expect to pay less, not more – which is not commercially viable at the moment because low oil prices now reduce the incentives for recycled and bio-derived materials.”

Furthermore, merchants already have to consider dozens of factors when choosing which products a retailer should offer. A retailer must give its merchants the flexibility to choose more sustainable products that its customers actually want. Avoiding requirements for specific sustainability attributes gives merchants the leverage to ask for social and environmental improvements on products that meet customers’ performance and design needs.

Providing Merchants with Guidance

Individual product improvements must naturally still be guided – and they must aggregate to a sound strategy. Coupled with giving merchants the flexibility to prefer particular sustainability attributes, a retailer must provide a lot of guidance, guidelines, and policies to merchants on what standards and certifications are acceptable. This guidance should be updated every six months for buying teams, incorporated as checkpoints corresponding to set process for the fall and spring seasons. This can be a significant resource commitment, but also a source of business innovation and tapping new technologies.

II. STANDARDS & CERTIFICATIONS: INDUSTRY USE

Brands Value Certifications for Risk Management

Based on the insights from conversations with the participating cohort of REI’s wholesale brands, brands tend to see many of the explored standards and certifications as valuable for risk management. Discussed in further detail later in the study, this appears to happen partially because a limited number of brands have conducted studies about consumers’ perception of sustainability issues. Many brands perceive, perhaps rightly, that consumers do not yet truly demand sustainability.

Many certifications and standards are thus used to improve traceability and manage the risk of advertising a product attribute that may not otherwise be there. As noted earlier by industry experts, traceability continues to be a challenging area in the industry.²⁹ Secondary research on brands’ online communication

²⁹ DuFault, A. (2015, Nov 18). Cotton traceability nearly impossible say sustainability experts. Retrieved from <http://bkaccelerator.com/cotton-traceability-nearly-impossible-say-sustainability-experts/>

Brands' Advice on Managing Traceability Challenges

This subject was beyond the scope of focused research for the project, but some of the advice provided is shared below for others' reference:

Key Challenges for Traceability

1. Few people fully understand it
2. If you don't order a lot of fabric, suppliers push back, and you sometimes have to share costs
3. Hard to get GPS coordinates for farms
4. Biosecurity concerns for down when people go in and can contaminate the birds
5. Must pinpoint a moment in time to source material
6. Added expense

Best Practices for Addressing Traceability

Regular Cross-Departmental Meetings

Business, Quality, Environmental, and Social team representatives meet weekly and make joint sourcing decisions for finished goods suppliers, new, and some specific materials.

Certify High-Volume Purchases, Audit the Rest

Certify high-profile products; if the sale is one-time, directly in stores, and no certification is available – audit all the way through the supply chain. (Organic cotton must be all certified.)

Supplier Training & Support

Provide supplier training on understanding material traceability and the necessary documents needed. Offer increased training and constant support until suppliers feel adequately onboarded.

Continuous Supplier Reminders

Build in reminders for scope and/or transaction certificates to contact suppliers three times in a production cycle. Align requests for documentation with the production calendar.

Internal Training on Falsified Documents

You need it.

Implementation

It's helpful for retailers to provide their merchants with guidance and have them ask each brand: "How do you ensure traceability for...?" In some ways, traceability can be easier for smaller brands that can physically walk through their whole supply chain. However, traceability can be an issue for resource-constrained organizations – so retailers' inquiries in this area may be helpful for increasing related budgeting.

shows that, when a sustainability attribute is present, brands may discuss it in a limited manner or not at all. They may also use a number of certifications (e.g. for more sustainable cotton), but focus communication on the attribute itself (e.g. organic, recycled) – not the certification. A part of this dynamic is the desire to avoid confusing consumers with the need to explain individual certifications: why one may be preferred to another, and why a brand may need to accept one vs. another for different products.

Among the types of standards and certifications explored, the researched cohort of REI's wholesale brands is most focused on chemicals and animal welfare (down, wool, and – to a lesser extent – leather). Using more sustainable cotton and recycled content is generally lower in perceived priority, even if a brand pursues these goals simultaneously (higher priorities for some brands than others). Sustainable manufacturing is seen to entail less risk, although brands are interested in making improvements within this area.

Social and labor issues, although important, aren't perceived to be as well addressed by existing certifications – even the highly regarded initiatives that brands plan to continue supporting – like BSR's Better Work or the HERproject. In balance, brands are continuing to rely on traditional 3rd party audits, and some are hesitant to pursue partnerships like Fair Trade because they 1) want the brand to be seen as inherently sustainable (concerns about diluting brand image with certifications) and/or 2) feel that internal programs will better or adequately address their existing needs.

Down

Sourcing some type of better down (Responsible Down Standard, Global Traceable Down Standard, etc.) is gaining strong traction in the outdoor industry. Brands that are using better down also tend to commit to sourcing 100% of the material as such. Similar to the recommended approach for other standards and certifications, it would be helpful for REI to accept within its merchandising criteria all credible standards. Its communication to consumers should focus on the substance of the improved material (humane treatment of birds), not the standard itself. While specific differences exist between key industry standards and some individual brands' approaches, it would be best promote alignment elsewhere through industry-wide collaboration.

bluesign®, CHEM-IQ, and Oeko-Tex 100

Similar to other materials areas, it may make sense for REI to accept all credible systems for chemicals

management. Although some of them will have certain advantages over others, this approach may be helpful in giving brands the flexibility to meet their individual needs.

Overall, joining the bluesign® system as a partner is gaining strong traction in the outdoor industry. Since the standard is currently focused on apparel, it may not always make sense to pursue it for brands that don't sell a lot of merchandise in this category (or sell a limited amount of textiles altogether). For smaller brands – and especially for complex products with numerous parts – the cost of bluesign® may seem prohibitive in the absence of strong consumer interest in this certification.

With respect to using bluesign® vs. CHEM-IQ, some brands may value the former for a comprehensive audit of worker health and safety. One of the benefits of CIQ for member brands of the VF Corporation is its ability to identify differences in product characteristics across regions.

About 45% of surveyed REI wholesale brands use Oeko-Tex 100 in some form (excluding “unknown” from the total) (**Figure 5. REI Wholesale Brands Using Oeko-Tex 100**). For at least some brands, only a few fabrics are sourced from Oeko-Tex 100 partners – even if the brand believes that this standard is an effective method to manage material chemical risks. At least in looking at the cohort of researched brands, there appears to be no particular relationship between brand size and whether or not it uses Oeko-Tex 100.

The researched brands tend to use Oeko-Tex 100 as an internal tool; for them, this standard is not consumer-facing, and it's frequently not discussed in their online sustainability web pages. Some brands may use bluesign® and Oeko-Tex simultaneously because they see the latter as a tool of otherwise limited quality control for consumer safety – and because they know that it won't be possible to have 100% bluesign® materials “any time soon”. Some brands may choose to rely on their own chemicals management systems – and they may have concerns about what they perceive as “outsourcing” for this function. Some source a portion of their materials as bluesign®, but are not formally “system partners”.

More Sustainable Cotton

A significant number of REI's researched wholesale brands

already use some more sustainable cotton, although their share of more sustainable cotton sourced as a percentage of the total varies greatly. For the most part, the surveyed brands that do use certifications for organic cotton tend to take those available in their supply chain. (Six out of the total 23 brands were categorized as “unknown” for their policy in this area). In opposition to forced labor, a considerable number of surveyed brands has also made the pledge not to source Uzbek cotton.

Recycled Materials

With respect to recycled content, most of the brands that use it tend to accept all certifications available in their supply chain (six out of the 23 brands researched were classified as “unknown” on this point). The Global Recycled Standard (GRS) does tend to be perceived as the strongest in the industry. A number of brands prefer it as the “gold standard”– even if they accept other certifications.

Leather Working Group (LWG) Leather

As one of the interviewed brands described, “Leather is an area of growing interest and concern for consumers. People want to know, ‘Were they happy cows before they were slaughtered?’ Greenpeace is starting to focus on it, and we need to focus on it.” In echo to this sentiment, sourcing LWG leather appears to be a growing trend among the surveyed cohort of brands.

Pattern Efficiency

As further described in **Figure 6. Pattern Efficiency a Lower Priority**, addressing pattern efficiency may be a challenging and less rewarding pursuit for most brands at this point. Inefficient and generally unprogressive manufacturers don't have strong incentives to improve cutting yield if materials are inexpensive for them. When working with overseas facilities, the resulting

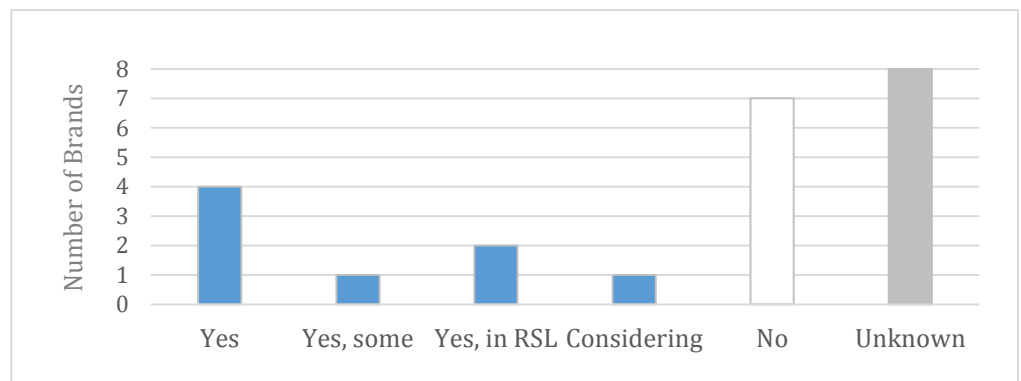


Figure 5. REI Wholesale Brands Using Oeko-Tex 100, n=23

Hard to Address: Limited Supplier Leverage

"This is not an area where many brands have leverage because factories address efficiency. Unless a factory negotiates high, sourcing will just accept the inflation in prices and pass the waste to customers."

"Difficult to collect from outsourced manufacturing in apparel and footwear."

Larger Brands Doing, Though Lower Sustainability Impact

"We're working on this. There's definitely room for improvement, and it helps with saving resources."

"The impact of better materials will blow pattern efficiency out of the water and, if they're not working on this already, the brand is just not being a smart business."

Easy for Progressive & Owned Facilities

A lot of factories, if you pick progressive manufacturers, naturally want to recycle materials.

"We do efficiency/cutting yield all the time."

Benchmarking May Be Helpful, Especially for Smaller Brands?

"It would be harder to set a specific requirement here, but this would be interesting to survey. Ask brands about their overall average and give them back the data to show if they are above or below."

Figure 6. Pattern Efficiency a Lower Priority

cost increase may not be significant, so brands may frequently be simply willing to accept a higher price.

Considerable questions remain in this area. How significant are the environmental benefits of reducing this waste? If REI asked its wholesale brands to supply pattern efficiency data and highlighted the issue to consumers, would this provide brands' leadership in Product Development with incentives to explore this issue further with suppliers? To what extent would suppliers address it? To what extent might larger brands find out that they are not doing as well as expected compared to peers? How much leverage, if any, could smaller brands have with suppliers?

Overall, pattern efficiency appears to be an area where it may be challenging to make significant progress, as well as devote resources at the expense of other sustainability initiatives. It may be a limited opportunity for some brands, especially if pattern efficiency can generate positive publicity with consumers as part of REI's wider initiatives on waste (e.g., coupled with a focus on product take-back and recycled materials).

U.S. Manufacturing

A limited number of REI's wholesale brands have some production facilities in the U.S. Many of these brands do only the final product assembly in America, which limits their ability to use for marketing the phrase "Made in the USA". However, participating brands noted that messaging related to local production resonates well with consumers – so it would be helpful to include it in REI's public communications. In the future, it may be easier for smaller, rather than larger brands, to increase local production.

III. ADDRESSING CONSUMER COMMUNICATION

Industry Leadership: Educating the Consumer

With a membership of over 6M outdoor enthusiasts, REI can play a unique role in enabling consumers to make better choices. The following quote from a brand's sustainability leader is representative of the research cohort's broader sentiment, as shown in **Figure 7. Interest from REI Wholesale Brands in REI Educating Consumers About Sustainability.** (Given the varying flow of phone conversations with brands' sustainability leaders, some answers – indicated as "implied" – were not stated directly, but inferred based on other answers.)

A significant number of brands is interested in REI working to improve consumers' understanding of sustainability. Since many of its brands have different

The Value of Educating Consumers: *"The most important thing REI can do is guide consumers. There's enormous power in educating consumers to think about sustainability, because they're looking for connection but have no hooks to for it. Consumers have an empty space in their mind, and they're interested in brands they can support."*

"We do consumer surveys, and they show lack of understanding. Consumers don't really understand what recycled polyester is."

needs for messaging on this subject, it would be helpful for REI to align with its brands on the best communication strategy at REI.

The dynamics behind these numbers indicate that a smaller brand may not have the resources to educate consumers about sustainability. A larger brand that has these resources and a customer base that is interested in sustainability may still be working on figuring out this issue. Brands that are highly focused on performance may feel that their hands are tied since they're weary of confusing consumers. This means that sustainability communications must be subsumed within the larger message of performance and innovation. As one brand's sustainability leader put it, "The statement I get is that the consumer doesn't care. It's difficult to make claims for sustainability materials because there is risk and we don't want to confuse consumers... We want our brand to have a distinct identity to consumers. We tried to identify where we use recycled content but, until the industry educates consumers better, there is a hesitancy to promote."

Communicating with Consumers About Personal Benefits and Significance

When it comes to textiles, should brands always focus product communications squarely on environmental or social sustainability? Several years ago, Walmart found that environmental benefits aren't enough for its customers to pay a premium – people need to feel that the product also does something for them personally.

For example, among other products, Walmart has generated strong sales for organic cotton baby clothes. The labels on these products appeal to parents' desire to give their family a good and healthy life – by emphasizing the organic cotton's softness and chemical-free nature.²⁹ As one of the interviewed

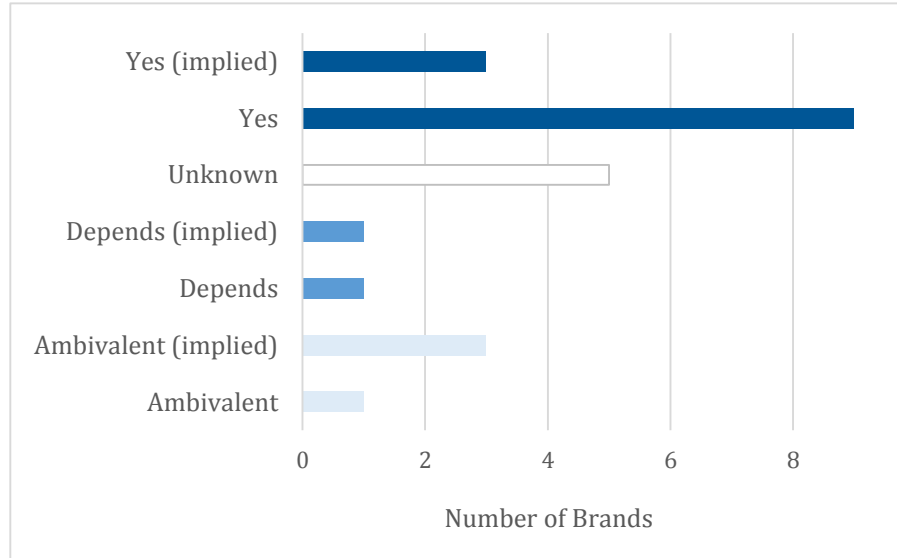


Figure 7. Interest from REI's Wholesale Brands in REI Educating Consumers About Sustainability, n=23

brands' sustainability leaders put it, "Certifications are not a focus for us. I've never seen a product succeed more (including my own) as a result them. Better engagement is transparently creating why product features would make you use it more."

As a secondary interest, the project included some research on how brands communicate about sustainability in their online presence. This included searching for terms like "organic", "recycled", "down", "bluesign", "eco-friendly", etc., as well as reviewing product descriptions on ad-hoc basis across a brand's key product categories.

As seen in **Figure 8**, this sample of REI's wholesale brands demonstrates significant variation in how different brands communicate (or don't) about the sustainability of their products on their website.

Level of Communication

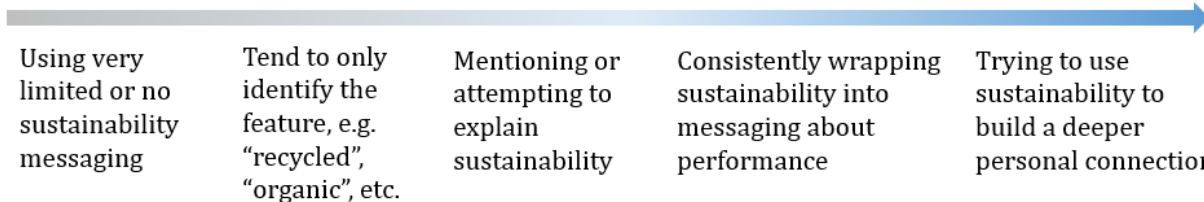


Figure 8. Significant Range in REI Wholesale Brands' Sustainability Communications at the Point of Sale

²⁹ Plambeck, E. and Denend, L. (2008). The greening of Wal-Mart. *Stanford Social Innovation Review*. Retrieved from http://ssir.org/articles/entry/the_greening_of_wal_mart#sthash.knnGICqr.dpuf

(Though site search functionality is frequently inadequate for easily identifying better products.) The chart hypothesizes that it's helpful to explain sustainability: for instance, why a certain type of cotton is better than conventional with respect to its environmental and social impacts. In general, the social aspects of materials sustainability may be receiving inadequate focus – for instance, how cotton grown with less pesticides has positive health impacts on farmers and their families.

With respect to explaining sustainability, it may be even more important to subsume these messages within performance marketing – communicating why the product performs better as a result of the attribute. At the pinnacle of successful sustainability communications are efforts to build a deeper emotional and psychological connection with consumers.

This research does not address how, if at all, the researched brands have tested these or other hypotheses about sustainability messaging. However, the growing interest in communicating to consumers about product sustainability indicates an opportunity for leaders in the industry to test such hypotheses with rigorous data studies.

For instance, do any of the online messages below resonate better with consumers because they associate sustainability with performance, rather than simply mentioning the use of organic and recycled materials? Do they resonate better because their sustainability features seem more positive and luxurious?

- “Soft organic cotton“ (Nike)
- “Soft recycled PET lining and footbed covers feel great against your skin“ (MEC)
- “Uppers are 100% organic cotton canvas for lightness, breathability and durability“ (MEC)

As one of the study’s participants stated, the industry’s messaging about recycled content in particular needs to highlight its benefit – not evoke negative connotations with phrases like “post-consumer recycled”:

Creating Aspiration: *“We’re still fearful about the negative connotation on ‘recycled’ – inferior quality, unhygienic. Marketing needs to make it positive, luxurious, aspirational. Our use of recycled content will grow, so we need to start talking and change the mindset – maybe use a different word.”*

For some brands or products, would it also be better to highlight health-related, rather than environmental sustainability benefits? For example, would it be

sometimes better to highlight a new “natural and organic” versus “eco-friendly” textile treatment? If a brand uses probiotics for odor-control, would it want to highlight this feature because some consumers may already be familiar with the concept as it relates to health supplements?

Explaining Sustainability

For brands that mention a sustainability attribute – but don’t explain it – an opportunity exists to show consumers these benefits. For instance, what would an average consumer understand if the product description read “fabric is bluesign® certified”? For the most part, the brands researched do not explain what this means in terms of environmental, health and safety, and chemicals management benefits. It’s possible that brands may not yet be thinking about bluesign® in a consumer-focused way. Some brands may be choosing this route in order to minimize potential risks related to consumer inquiries. However, this means they may also be missing opportunities for making stronger, low-cost connections with consumers.

Creating Deep Personal Connections

As one of the interviewed brands explained, the industry still frequently fails to move beyond achieving sustainability features – and toward explaining them to consumers. “Messaging needs to be part of the story of the product... Like a lot of brands, we can get better at translating from operations to marketing.”

What if, like good traditional marketing, brands’ messaging about sustainability actually tapped into consumers’ deeper emotional needs? Imagine that you’re looking online at a PrAna product and read, “100% organic cotton means future generations will appreciate your style”. Would you feel more connected to fellow human beings? Would this message make you feel more important? Would you feel that you weren’t just buying a shirt – that this purchase made a significant positive impact? Would you remember this message when you wear the t-shirt? For a particular segment of consumers, these questions may just be tapping into the very core of their deepest aspirations.

Non-Consumer Facing Initiatives: Building Brand Value and Positive Retail Experiences?

If a brand or a retailer aims to provide its customers with more sustainable products, what is the role of sustainability efforts that aren’t part of consumer-oriented certifications? To what extent can or does communicating about these efforts at the point of sale influence consumer choices? If it doesn’t – would such messaging still make consumers feel a stronger broader connection with a particular brand, or create a

positive shopping experience? As an example, one noted description for a product at MEC reads, “United By Blue is dedicated to the idea of associating sales and concrete environmental action, for every item sold, they remove 1 pound of trash from the world’s oceans and waterways.”

In addition to messages related to this kind of corporate “donation” from United By Blue, there may be an opportunity for brands to support consumer interest in more responsible manufacturing that echoes a vision of valued traditions, craftsmanship, and products made with care. For example, Levi Strauss & Co. makes online notes like: “Orta is a renowned denim manufacturer distinguished by superior quality, sustainable practices, and ever-evolving designs. We are proud to incorporate their denim into our Made & Crafted™ vision.”

Brands and retailers may also be able to use point-of-purchase communication as an impactful component of sustainability reporting. A common challenge for sustainability practitioners is making well-known publicly the positive work they do behind the scenes. Since CSR reports are frequently less accessible to consumers than other stakeholders, it may be helpful to consider, in individual circumstances, messages like this by LS&Co.: “This year, we have used over 650,000 recycled bottles in the creation of our Thermore® insulation.”

These queries are beyond the original scope of this study. However, it may be helpful to explore in the future how brands consider such questions – and how their existing work in this field could pave for a fruitful collaboration with brands’ retail partners.

Industry Consumer Knowledge Facing Limitations

As **Figure 9. REI Wholesale Brands Conducting Studies on Consumer Attitudes Toward Sustainability in the Last Three Years** shows, some brands may not have a strong understanding of how their consumer base perceives sustainability. (Data from interviews conflicted with data from the survey for a couple of brands highlighted in light blue).

First, it could be that a brand has not conducted any studies in the last three years. For example, as one sustainability leader said, “The sales team would say that recycled content, etc. is a con – but we haven’t done any studies and could improve upon our assumptions.” Without having conducted consumer sustainability communications studies, a brand’s sustainability leader may also rely on past experiences at a different brand –which may or may not be similar. Some brands that have conducted studies may also be grappling with the challenge of whether or not the

study was representative of consumer attitudes. For instance, a brand may worry about sustainability messaging detracting from its central communications theme. However, as one sustainability leader put it, “We asked if consumers would purchase more sustainable products. Maybe 5% would – but I’m not sure we’re asking the right question.”

Aside from resource constraints, why haven’t brands conducted more studies on their customers’ attitudes toward sustainability? As further inquiry, it may be interesting to see if some Sustainability teams are weary of jeopardizing progress by conducting studies because they could show that consumers aren’t appropriately aware of (and therefore care less) about certain sustainability issues. If so, REI studies that show a positive effect of consumer education could be especially helpful in filling this gap.

The research identified specific opportunities for collaboration between REI and brands that are interested in the retailer taking a stronger role in educating consumers. Some brands have already invested resources in this area, and some yet haven’t. Some may not yet be comfortable with more prominent sustainability messaging, at least for some attributes. However, REI’s sustainability communication can begin focusing on brands that are comfortable with it. This should create opportunities for others to join in the future.

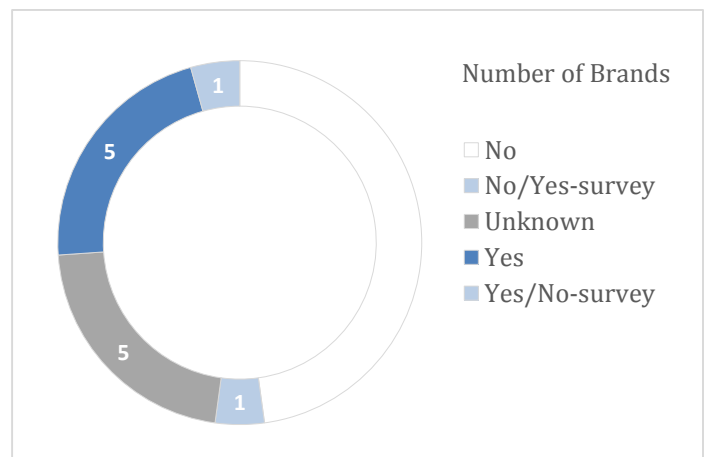


Figure 9. REI Wholesale Brands Conducting Studies on Consumer Attitudes Toward Sustainability in the Last Three Years, n=23

IV. LEADERSHIP AND EMERGING ISSUES

Using Life Cycle Analysis Studies

Life cycle analysis studies are important for ensuring that communication about a product’s sustainability benefits aligns with its actual environmental and/or social impacts. As previously discussed, the environmental benefits of recycled content vary from one brand’s supply chain to another based on: where recycled materials are processed; chemical vs. mechanical recycling; related transportation, etc. For this reason, one study participant noted: “You have to back up with an LCA your communications on recycled content for wholesale brands.”

At the same time, retailers must be sensitive of the issue in communicating about it to consumers. Without creating confusion, it may be important to explain that recycled content may not be the best choice for all products and product categories. Given the state of current consumer understanding, this is likely a point for later conversation – at a time when consumers 1) understand the benefits of closed loop systems and 2) perceive recycled content to be a desirable product feature. This is also likely best done outside the point of sale.

For the cohort of brands interviewed and surveyed in this research, **Figure 10. REI Wholesale Brands’ LCA Studies** shows that over a third shared no information about the materials they may have studied. (This dynamic is recorded as “unknown” for confidentiality reasons, even if some of these brands may have publicly available information about their LCA work.) A notable number of brands have not conducted LCA studies. A considerable number have studied the impacts of their recycled polyester, other materials, and/or even products as a whole. Given the high cost and difficulty of conducting LCAs, some members of the SAC may be choosing to wait for data that will be available later through its tools.

Tracking Emerging Issues

The structures through which brands track emerging sustainability issues are likely to impact their ability to anticipate and address them. They also affect how these brands will collaborate on product sustainability with REI. As shown in **Figure 11. Teams at REI Wholesale Brands Responsible for Tracking Emerging Issues**, only the Sustainability team monitors emerging issues at a significant number of REI’s researched wholesale brands. (However, the “unknown” in this category is significant).

That said, a number of brands appear to be further internalizing sustainability within their business. When

emerging issues are tracked jointly with other teams, these “other” teams tend to include an innovation-oriented group along with varying others:

- Advanced Innovation plus Communications, Legal, and Quality Assurance
- Product Innovation Team plus Materials Development Team
- R&D plus Production Team and Management Team

One brand notably has a sustainability leadership council that includes executive leadership, product development, supply chain, and marketing.

Priority Emerging Issues

The project’s survey asked brands to list, in order of priority, which emerging product sustainability issues or trends they monitor specifically with respect to materials and individual chemicals. (A number of the issues listed appear to be highly brand-specific in their concerns and are thus excluded from **Figure 12. REI Wholesale Brands Indicating Issue in Top 5 Emerging Priorities in Materials and Chemicals.**)

Durable water repellent technologies (DWR) is a particularly challenging issue noted since it has been difficult for brands to find substitutes with comparable performance. As noted earlier, traceability continues to be a challenging area in the industry.³⁰ At the same time, the topic of recycled content and closed-loop systems is emerging on the agenda.

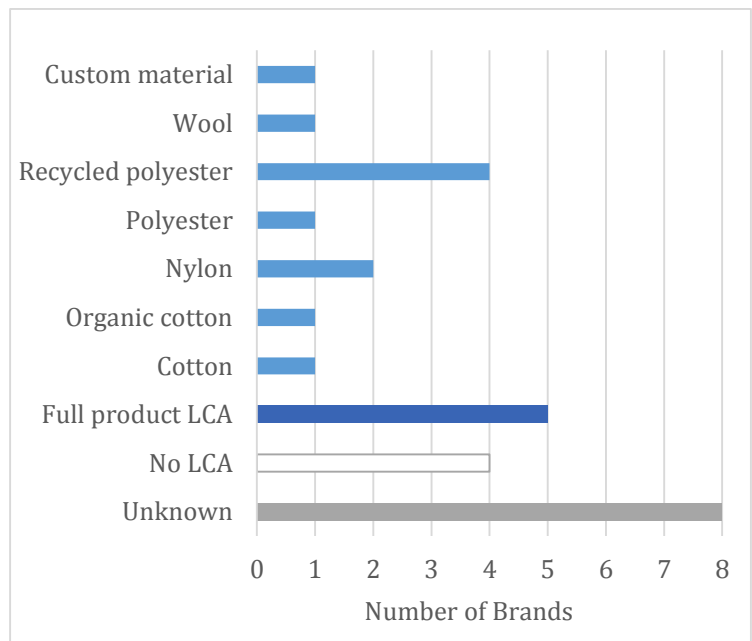


Figure 10. REI Wholesale Brands’ LCA Studies, n=23

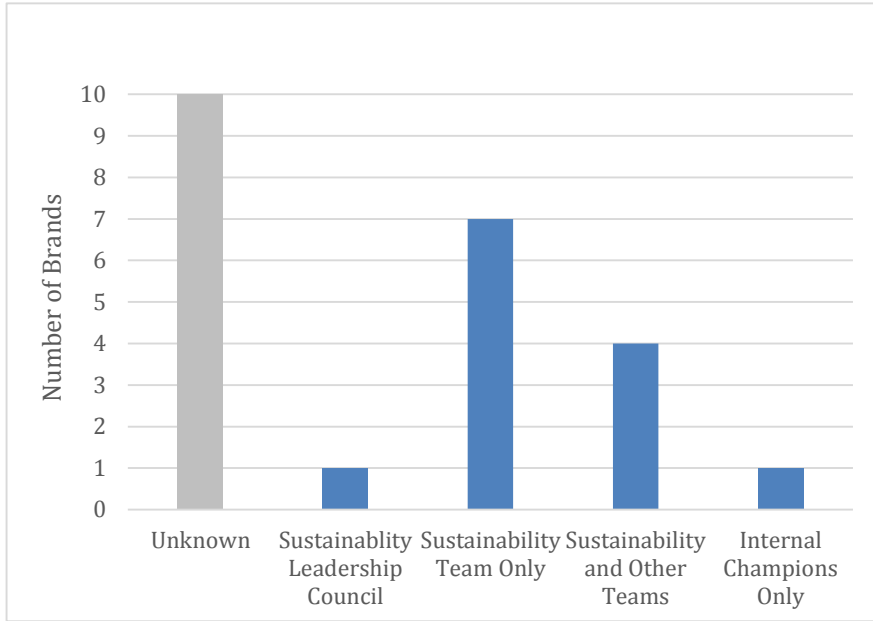


Figure 11. Teams at REI Wholesale Brands Responsible for Tracking Emerging Issues, n=23

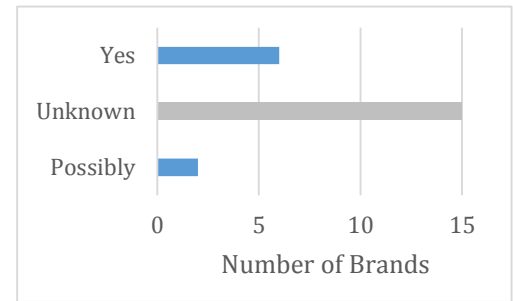


Figure 13. REI's Wholesale Brands Interested in Collaborating with REI on a Product Return Program, n=23

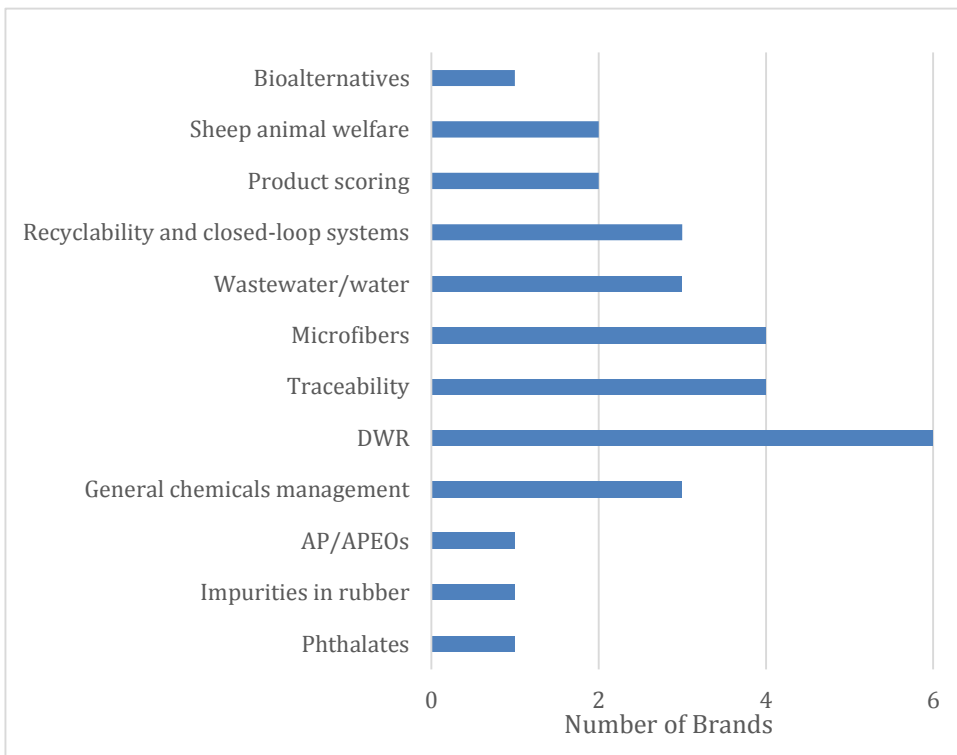


Figure 12. REI Wholesale Brands Indicating Issue in Top 5 Emerging Priorities in Materials and Chemicals, n=15

“In reality, durability is the pinnacle, but there is a 25-year timeline on that versus 5-10 years to make consumers bring products back.”

³⁰ DuFault, A. (2015, Nov 18). Cotton traceability nearly impossible say sustainability experts. Retrieved from <http://bkaccelerator.com/cotton-traceability-nearly-impossible-say-sustainability-experts/>

Chemicals: Evaluating Key Concerns, Identifying the Best Alternatives

The study focused on evaluating the risks and opportunities related to standards, certifications, and some of the more commonly used industry membership programs. However, as the project surfaced a need to consider the implementation of stand-alone criteria, it also included some limited preliminary exploration on common chemicals of concern.

A more in-depth and systematic review is needed. However, at an early glance, among the chemicals that researched brands appear to perceive as issues of concern are:

- PVC, which is of greater concern for hardgoods like foam padding for flotation support and polyurethane coating for nylon or polyester in packs, tents, etc.
- VOCs, which are a more significant concern in footwear and hardgoods, including tents.
- Inks, a special issue for apparel
- Also durable water repellents, lead, formaldehyde, and PFOAs

The researched brands appear to largely avoid communicating with consumers about chemicals online at the point of purchase. However, successes in the organic food movement may indicate an opportunity for communicating with consumers about the benefits of better textile products. For example, MEC's online description of a dry bag hints at the personal benefits of the product to consumers since "non-PVC materials are free of chlorine, dioxins and heavy metals." In another example of online messaging about chemistry, MEC noted (with a "Learn More" link for additional information): "Manufacturing PVC produces carcinogens, toxins, chlorine residue, and heavy-metals. We source alternative materials that perform just as well without the same environmental and health risks."

End-of-Life Take-Back Programs

As one industry expert explained, "Consumers say they want durable things but, at the end of the day, they don't even use products until the end of specification. People will find a way to justify a new purchase [...] Getting them to bring back old items for new will be a more fruitful path." There's a place for retailers to move the entire industry forward on end-of-life... The issue is, the brands' own stores don't have scale. REI has so much more scale, and it could train consumers to bring products back." (This perspective may be the most applicable for apparel. For products like backpacks that are less fashion-sensitive, durability is 20-30 years and would be more important.)

Although this issue warrants further research, **Figure 13. REI Wholesale Brands Interested in Collaborating with REI on a Product Return Program**, shows that at least several of REI's brands expressed interest in REI leading the industry with a product return program that would include REI's non-owned brands. To date, product take-back programs have already been implemented by a number of apparel and footwear brands. This presents an opportunity for REI to learn from their efforts in creating the currently existing infrastructure.

Without extensive take-back systems, the goal of increasing the use of recycled content may face serious limitations. As one industry leader noted, "Because we don't have scale, we just don't currently have a mechanism to make a product fully out of recycled polyester. With a product take-back initiative, you could have a design challenge and REI could say, 'I will co-market it with you if you make a closed loop product.'"

Minimizing Product Packaging Impacts

Improvements in packaging can serve as a vehicle for engaging customers in sustainability. Consumers are likely to think about packaging when evaluating a product's sustainability. Perhaps they may even think of it as reflective of a brand's overall sustainability. A focus on packaging improvements may also pair well with a retailer's continued leadership in overall waste reduction (such as product take-back, recycled content, and even pattern efficiency).

One of REI's wholesale brands suggested that, in the short-term, brands may benefit from receiving simple photos of how their packaging compares to that for similar products by other brands. In the mid-term, REI could further facilitate improvements by: surveying brands about their practices; sharing where they fall in the distribution compared to each other; and then collaborating with brands to set reduction goals. As the same sustainability leader explained, "I would prefer a proactive approach asking to reduce the amount of material used and substitute more sustainable materials. Maybe the first round could ask, 'What are you doing?' to see how to set the standard." Depending on the level of consumer interest, there may be opportunities for REI to consider a packaging redesign competition for its wholesale brands.

The project's survey asked brands' sustainability leaders to evaluate their opportunities for collaborating on packaging improvements with REI. As shown in **Figure 14. REI Wholesale Brands' Perspective on**

Opportunities for Collaboration on Packaging, a significant portion of REI’s surveyed wholesale brands feel that there are at least some – in some cases significant – improvements possible in product packaging.

The research also asked REI’s wholesale brands to describe what opportunities could be pursued with respect to product packaging. Among the low-hanging fruit, at least one brand believed that simply getting a “nudge” from REI could accelerate its internal momentum for improvement. Other easier-to-implement opportunities may include for REI to evaluate whether it could accept used transport boxes from brands’ distribution centers. At least with some brands, there may be other opportunities to further minimize, recycle, and reuse product packaging. For instance, one brand mentioned considering to reduce cartons and eliminating packaging on some accessories, which would require some innovation. Another brand mentioned reducing plastic and tissue paper in apparel, as well as minimizing hangtags.

Among the more challenging, but potentially highly impactful possibilities is the opportunity to collaborate with at least two of REI’s brands that would like a retail partner to eliminate shoe boxes. In the longer-term, one brand suggested for REI to design better merchandising systems that eliminate the need for packaging – and clearly communicate this preference to brands in the design phase.

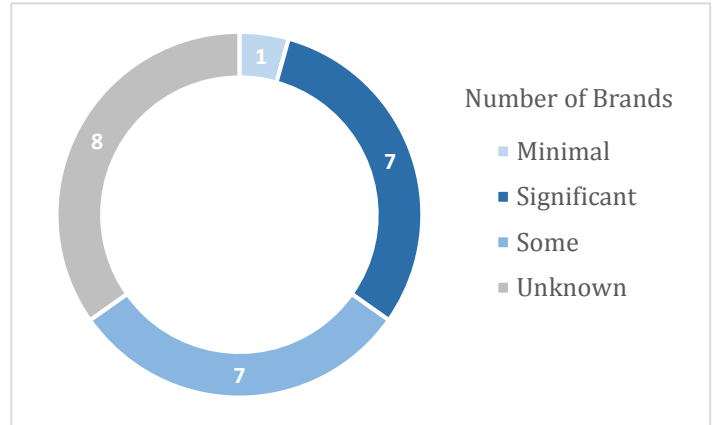


Figure 14. REI Wholesale Brands’ Perspective on Opportunities for Collaboration on Packaging, n=23

demand to see once the issue of sustainability is open for discussion.

Setting and Meeting Internal Business Targets

In order to reach ambitious goals, it is advisable for retailers to have the whole business committed to targets across categories, including in merchandising. As one of the study’s participants explained, “There has to be business commitment right through the DNA of the organization.”

A part of success hinges on creating individual and/or team-based performance metrics, with the specific formula reflecting the organization’s culture. Business unit targets would cover teams like Women’s, the Buying Department, etc. Targets for individual performance expectations can constitute a part of performance criteria. As one of the participating retailers elaborated about team-based KPIs, “We have the buying department report on progress every quarter.”

Beyond setting clear individual and/or team-based targets, it is helpful to incorporate recognition for both the buyers and the suppliers. This can entail significant administrative work, but it’s important to enable suppliers and the buying teams to benchmark against peers. These comparisons allow the Sustainability team to recognize buyers for improved performance, as well as to offer public recognition for suppliers that make significant improvements. (For instance, REI could issue a joint press release with one or more of its wholesale brands.)

In order to set appropriate improvement goals with wholesale brands, it’s important to reference life cycle assessments that identify the largest areas of risk and impact for individual product categories. When standards or certifications with an LCA approach aren’t

V. FRAMEWORK FOR ACCELERATING IMPROVEMENT

Setting Long-Term Goals

To maximize the pace of change, it is ideal for retailers to set, whenever possible, specific long-term goals related to sustainability improvements. For instance, REI could consider striving to have every product include at least one significant sustainability attribute by a particular year. (In cases where no 3rd party verification system or certification is available, it may be necessary – though challenging – for REI to rely on audits in order to ensure that products carry their advertised attributes.)

With respect to communicating about sustainability with consumers, it is important to align efforts with required communication structures and resources. If technical systems for discussing complex sustainability issues at the point of sale are not available, an imbalance in explaining well some issues – but not others – may lead to an unexpected number of consumer and NGO inquiries. In order to avoid inefficiencies in resource use, it’s thus important to prepare in advance the content that consumers may

available, it’s helpful to look at the broader picture to allocate resources efficiently.

Creating iconic sustainability products within a retailer’s private brands can also help to reach long-term goals. A sustained focus in this area can further establish a culture of curating sustainable products, create healthy competition among its business units, and improve the business case for advancing product sustainability among wholesale brands.

Creating Tailored Standards, Intermediate Rewards, Tools, and Accountability

Recommendations from experts in the industry included a framework for retailers who want to collaborate further on product sustainability with their wholesale brands. As shown in **Figure 15. Framework for Collaborating with Wholesale Brands**, a planned approach is needed to identify opportunities and create a structure that incentivizes improvement for all stakeholders – as well as provides supportive tools and accountability for improvement.

Beyond a structured internal effort, it is important for REI to continue collaborating with others in the industry. As one of the study’s participants put it, as much leverage as a retailer thinks it brings for a particular category or product, “...It’s not nearly enough. You have to harmonize with others in the industry, including different competitors. The more you can remove a patchwork approach, the more it accelerates understanding for suppliers and purchasing – so they don’t have to compare apples to oranges. Otherwise, sustainability information for its own sake is not very helpful.”

Collaborative Gap Analysis	Tiered Merchandising Criteria	Intermediate Rewards	Supportive Tools	Accountability for Improvement
“Sit at the table with suppliers and let them know you’ll be working with them.”	Create tiered criteria. Hold sophisticated suppliers to a higher level of performance; educate others as needed.	“We co-market products more with leaders who are doing good work, and we encourage others – especially suppliers that are small and resource-constrained. You have to remember where they’re starting from, and reward interim steps.”	“Provide a guardrail so that suppliers don’t run off the side of the road. We give them the tools ... and, at some point, we’ll hold everyone accountable.”	“There should be penalties for suppliers that don’t move... At some point, you have to withdraw your business. You can’t be afraid to do that. You have to look at the integrity of your brand.”

Figure 15. Framework for Collaborating with Wholesale Brands

VI. CONCLUSIONS & RECOMMENDATIONS

In balance, this project surfaced four top high-level recommendations for REI to consider as it works to advance the product sustainability for its non-private label brands:

- Use tiered, flexible merchandising criteria that support brands' performance on the Higg Index and advance its use across the industry.
- Evaluate, in collaboration with wholesale brands, further opportunities to communicate with consumers about stand-alone attributes like product chemistry.
- Increase overall communication to consumers about product sustainability – without creating consumer confusion or perverse incentives for brands to engage in unhelpful competition.
- Analyze, in collaboration with brands, potential opportunities for more effective sustainability messaging to consumers at the point of purchase.

Coupled with these recommendations, the project highlighted the need to explore perhaps as many new questions as it aimed to answer. Specifically, the goal of advancing product sustainability at REI requires more thorough analysis about supporting the Higg Index, establishing stand-alone criteria, setting appropriate timelines for future steps, and repeating the research conducted on this project with different cohorts of REI's wholesale brands.

Because the Index is still unknown to a lot of the industry, it would be especially helpful for REI to collaborate closely with key stakeholders like the SAC and the OIA to develop implementation roadmaps and a suite of tools that support the Index adoption at smaller brands. As part of future work in this area, researchers could also further cross-map individual sustainability standards/certifications to specific areas of the Higg Index modules. Significant work is also needed to identify and prioritize the implementation of concrete actions on social/labor standards in collaboration with The Social and Labor Convergence Project (facilitated across the industry by the SAC).

At the same time, additional inquiry is needed to better understand the opportunities and challenges associated with incorporating stand-alone attributes like PVC-free into retailers' merchandising criteria. Given significant variation across brands' products, consumers, and progress on the sustainability journey,

additional research could support a helpful framework for tiered, category-specific merchandising criteria aligned with an appropriate approach for educating consumers on related topics.

Beyond next steps for establishing sustainability merchandising criteria, it is important for retailers to begin tapping latent demand for better products. The study of products' environmental and social impacts is undergoing continued evolution. The field of understanding on how to best educate and support consumers in purchasing more environmentally and socially sustainable products is just emerging. As such, the opportunities for using the latest understanding of marketing and consumer psychology appear to be almost completely untapped and ripe for further research.

At the exciting intersection of these shifting dynamics, participating brands were highly welcoming of collaboration, the opportunity for REI to educate consumers, and identifying new partnerships. Next steps will require significant collaboration between REI, its wholesale brands, and industry stakeholders to continue their work in promoting and implementing innovation.