

INDITEX CASE STUDY
/ CIRCKLO

CLOSING THE LOOP

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INDITEX



Image courtesy of Inditex

Inditex is the largest fashion group in the world, with more than 7,000 retail stores across 96 markets. It also reaches more than 200 countries through its online retail channels.

It owns eight of the world's most recognisable fashion brands, including Zara, Pull & Bear, Bershka, Massimo Dutti, Stradivarius, Uterqüe, Oysho and Zara Home.

Inditex uses an 'agile fashion' model (sometimes referred to as 'fast fashion') whereby lead times for manufacturing and store replenishment are relatively short compared to other fashion retailers.

A multinational company operating across so many markets will leave a footprint on the environment, but Inditex sees its responsibility in this area. In 2018, it was voted the world's most sustainable company by the Dow Jones Index, for the third year in a row.

The company has been working towards a more sustainable model for some time, with four consecutive Environmental Plans, which started in 2002, with the latest from 2016-2020.

Objectives and targets of Inditex Sustainability Plans

Inditex describes its sustainability programmes as a work in progress, 'a never ending task'. So, over the past two decades, it has had four programmes, and recently announced a new set of targets.

In its 2019 annual report, Inditex sets out its commitment to the UN's 17 Sustainable Development Goals (SDGs), identifying targets where its business model aligns with these goals.

Our Customers

Inditex aims to help people make responsible purchasing decisions.

Our People

A commitment to safe and healthy work environments, promotion of equality and improving quality of employment.

Integrated Supply Chain Management

To ensure traceability and that health, safety, quality and sustainability standards are applied throughout the value chain.

A Socially Responsible Supply Chain

Inditex introduced a Code of Conduct for manufacturers and suppliers to establish standards covering health and safety, non-discrimination, and a socially sustainable chain.





Circularity and Efficient use of Resources

To incorporate innovative technologies to reduce consumption and emissions, and to close the productive loop of garments.

Contribution to Community Welfare

A commitment to the development of society through participation in social initiatives.

Inditex sets out a commitment to a circular economy, to integrate the concept into its business model by 2023 and ensuring that none of the waste generated by its activities end up in landfill.

There are three strands to this:

- **Closing the Loop**

This is a commitment to reuse and recycle items and to prevent textiles being sent to landfills. Customers and employees can drop off their used clothing, footwear and accessories at collection points in 2,299 Inditex stores in 46 markets, as well as other designated locations. Inditex has partnered with non-profits to achieve this, and to find a use for recycled goods. The aim is to have an active collection and recycling scheme in 100% of stores by 2020.

- **Zero Waste**

The aim of this programme is to classify, collect, recycle and recover the waste generated at Inditex facilities. Waste is classified according to the European Waste List (EWL) and recycled thereafter.

- **Green to Pack**

This programme sets the quality standards around the use packaging, with the aim of increasing the use of recycled materials, and extending the life of packaging and ease of reuse. This helps to reduce consumption of resources and to make the transport of goods more sustainable.



Images courtesy of Inditex

Organisational and value chain challenges

For a company like Inditex which operates fast fashion brands, a drive towards sustainability is a challenge. It can create a huge environmental footprint - indeed, the Ellen Macarthur Foundation [estimated in 2017](#) that the equivalent of one garbage truck per second is incinerated or landfilled.

It required a thorough examination of the value chain, and the use of technology to record and monitor all the materials used in products, and then to assess each supplier according to its own sustainability criteria.

In 2019, the Inditex value chain consisted of 1,985 suppliers, working with 8,155 factories, with work provided for 2.9m people.

The major challenge for Inditex has been to manage such a large value chain and to implement sustainable policies at all levels to make a big difference to its environmental impact.

Effective oversight and management of such goals has to come from the very top, and to achieve this, Inditex has expanded its sustainability teams, and now has more than 6,000 employees around the world working on sustainability.

It also recently appointed Javier Losada as Head of Sustainability, with Miguel Díaz as Chief Sustainability Officer and has a Sustainability Committee at board-level, a recognition of the drive towards sustainability. This committee advises the Board of Directors on sustainability, and oversees and controls the company's sustainability goals.





Image courtesy of Inditex

The importance of digital transformation

The drive to become a more sustainable organisation has to be backed by a strong business model, and digital transformation plays a key role.

As Executive Chairman Pablo Isla stated in 2019's [Annual General Meeting](#):

“Our digital and sustainability transformation is only possible thanks to the solid business model performance, which is generating the funds needed to reinvest in the company’s future”

Over the six years between 2013 and 2019, Inditex invested more than €2 billion in introducing technology designed to enhance the customer experience, and to enable integration between physical stores and online sales channels.

According to Isla:

“We are now offering our customers an integrated and unique experience in which they can swap the store for the online platform, and vice versa, at any stage in the process to best suit their needs.”

Online expansion has played a key role. Some fast fashion brands have been relatively slow to embrace ecommerce, partly due to the relatively low margins on some products. Indeed, Primark doesn't sell online at all.

For Inditex, the aim has been to expand its online reach so that the group's products can be purchased anywhere in the world. So, for example, Zara.com operates in 106 markets where the champion doesn't run any physical stores.

Bridging the physical and digital is also key, as it gives every customer the choice of when and how to shop. For example, it has a connected checkout to pay for online orders in-store, returns can be made through a choice of channels, while integrated stock management means shoppers can check store stock levels for online purchase and fast collection.

Impact and results

Many of the Inditex sustainability goals are still in progress, but the company has reported progress in its 2019 report.

Overall progress:

- All Inditex headquarters and logistic platforms are eco-efficient
- 100% Zara stores will be eco-efficient in 2020 (one year ahead of target).
- In 2019, Inditex launched to market a total of 7,589 tons of items with recycled materials,
- 19% of the group's garments were sold under the Join Life label in 2019.
- In 2019, Inditex increased the use of recycled materials by 250%, and the use of sustainable cotton by 105%
- 100% of the cotton, polyester and linen used in Inditex products will be recycled or will come from sustainable sources in 2025.

Progress towards Inditex Circular Economy goals:

Green to pack

- More than 14,000 tons of the company's own cardboard has been recycled for new boxes of Zara online shipments.
- Zara Home has eliminated plastic from its online orders.
- Zara has ended the use of plastic bags in its stores.
- Inditex aims to eliminate the use of plastic in all stores in 2020.
- Recycled cardboard is used to make the boxes for Zara online orders. The quantity of cardboard collected in 2019 was more than 14,000 tons.

Zero waste

- 91% of hazardous and non-hazardous waste from headquarters, logistics centres and factories was sent for reuse and recycling, preventing the use of new raw materials.
- Recycling and reuse now covers other areas. For example, alarm tags from stores are now reused, with 1,302 million collected in 2019.
- In 2019 Zara began implementing the 'Single Hanger' project in stores - the development of a single hanger for transporting garments from textile suppliers to the stores and for display in stores.

Closing the Loop

- 2,299 Inditex stores with the Closing the Loop used clothing collection scheme in place.
 - Collections are available in 202 markets.
- Since 2015, more than 49,479 tons of garments, footwear and accessories have been donated through the scheme.
- This donation programme is now active in 2,299 stores in 46 markets, in collaboration with 45 partnerships with nonprofits for the resale of used garments.
- By 2020, 100% of stores will have an active garment collection scheme.

Financial results

- Inditex's net sales increased by 8% to €28.29 billion in 2019. Like-for-like sales growth was 6.5%.
- Inditex online sales grew by 23% to €3.9 billion, and now accounts for 14% of total group sales.
- Net profits grew by 6% to €3.64 billion.

Key Takeaways

- The whole value chain has to be considered. Inditex has integrated its sustainability policies into all phases of the product life cycle, from design and sourcing of materials, manufacturing, through to sales and logistics.
- The importance of investment in R&D and innovation. To make processes more sustainable, or to find renewable materials, investment and collaboration with innovative partners can make a big impact.
- Digital transformation is key. The group's digital transformation has enabled it to sell across online channels and in more markets than before. A focus on the customer experience has also contributed to impressive ecommerce growth, while the improvement in use of technology helps Inditex to monitor and manage its value chain more effectively.
- Sustainability and long-term growth go hand in hand. The leadership team at Inditex understands that radical change towards a more sustainable business model had to be underpinned by strong business performance. The group's results over the past few years, and growth in profits underline this.
- Sustainability matters to customers. Fast fashion has been criticised for its environmental impact in the past, and consumer awareness of sustainability issues is growing. Inditex realises that long-term customer acquisition depends in part on their perception of the brand's environmental policies and practices.



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