



Let's make things better

LEVI'S CASE STUDY
/ CIRCKLO

Levi Strauss
& Co is one
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Images courtesy of Levi's

Levi Strauss & Co is one of the world's biggest apparel companies, and the most famous jeans brand.

It designs and markets jeans and other apparel under the Levi's, Dockers, Signature and Denizen brands.

It sells to more than 110 countries worldwide through its own stores, websites and through a range of department stores. It has approximately 3,000 retail stores and shops within other shops.

Objectives and targets of The Climate Pledge

A global brand with a footprint as large as Levi's has the opportunity to make a big impact by pursuing a more sustainable strategy.

To this end, it has been working on sustainability initiatives for the past decade or more, and has recently set some ambitious goals.

Levi's has picked out four key areas for its focus on sustainability - water, climate, chemicals and people - with the aim of creating a more circular economy for its products.

These are some of its targets, set out in various reports, including its Climate Action Strategy report of 2018, and the 2019 Water Strategy Report.

Climate

Levi's had already reduced GHG emissions by 25%, having set this goal in 2012, and was sourcing 20% of its energy from renewable sources in 2017.

It set further goals in 2018, to be achieved by 2025:

- 90% absolute reduction in GHG emissions in all owned-and-operated facilities.
- 100% renewable electricity in all owned-and-operated facilities.
- 40% absolute reduction in GHG emissions across our global supply chain

Cotton

Cotton makes up more than 90% of the raw materials sourced by Levi's, and the company has been working to source this material more sustainably, and to drive the adoption of the Better Cotton Initiative more widely.

Goals for 2020:

- 100% of cotton to be sourced by Levi's from more sustainable sources.
- Working to help Better Cotton reach 30% of the global cotton supply.

Water

The ultimate aim is for Levis' to use only as much water as can be replenished naturally, wherever the company operates.

Specific goals for 2025 include:

- To reduce water use in manufacturing by 50% against 2018 levels.
- All key fabric and garment suppliers to meet the company's Water<Less targets. These targets are contextual, based on the region and the stress level of the water situation there.

Organisational and value chain challenges

Sustainability initiatives require a range of approaches from companies like Levi's.

One key factor is that the strategy is driven from the top, and that there are dedicated roles to help oversee the company's sustainability strategy.

Levi's has a sustainability team which answers to the board, with a new Chief Sustainability Officer, Jeff Hogue, [appointed earlier this year](#).

The role of this team is to support various aspects of the business to deliver more sustainable products, and to build a recognition of the importance of sustainability within the business, through each employee.

As Jeff explains, sustainability needs to be pragmatic, led from the top, and for each function to have ownership over its part of the task:

“Creating approaches that are pragmatic, efficient and with clear ownership are key to increasing performance over time. Through previous experience, the best sustainability approaches are both backed by visible leadership commitment and are embedded into the organization – both in terms of aligning with business priorities and by creating ownership within every function.”

On a practical level, achieving ambitious targets requires a whole range of partnerships and initiatives, involving the entire value chain.

Innovation is one way to reduce consumption. For example, the 'finishing' of denim products which gives them the broken-in look and feel can require a lot of water. Since 2011, Levi's has been using Water<Less techniques, and has saved more than 3.5 billion litres of water from this finishing process through a series of simple changes. These include reducing the number of washing machine cycles and combining multiple processes into a single wet process, and removing water from the stone wash.

In seeking to reduce water consumption, Levi's has also set targets according to water stress levels for all key suppliers, which collectively account for 80% of its materials.

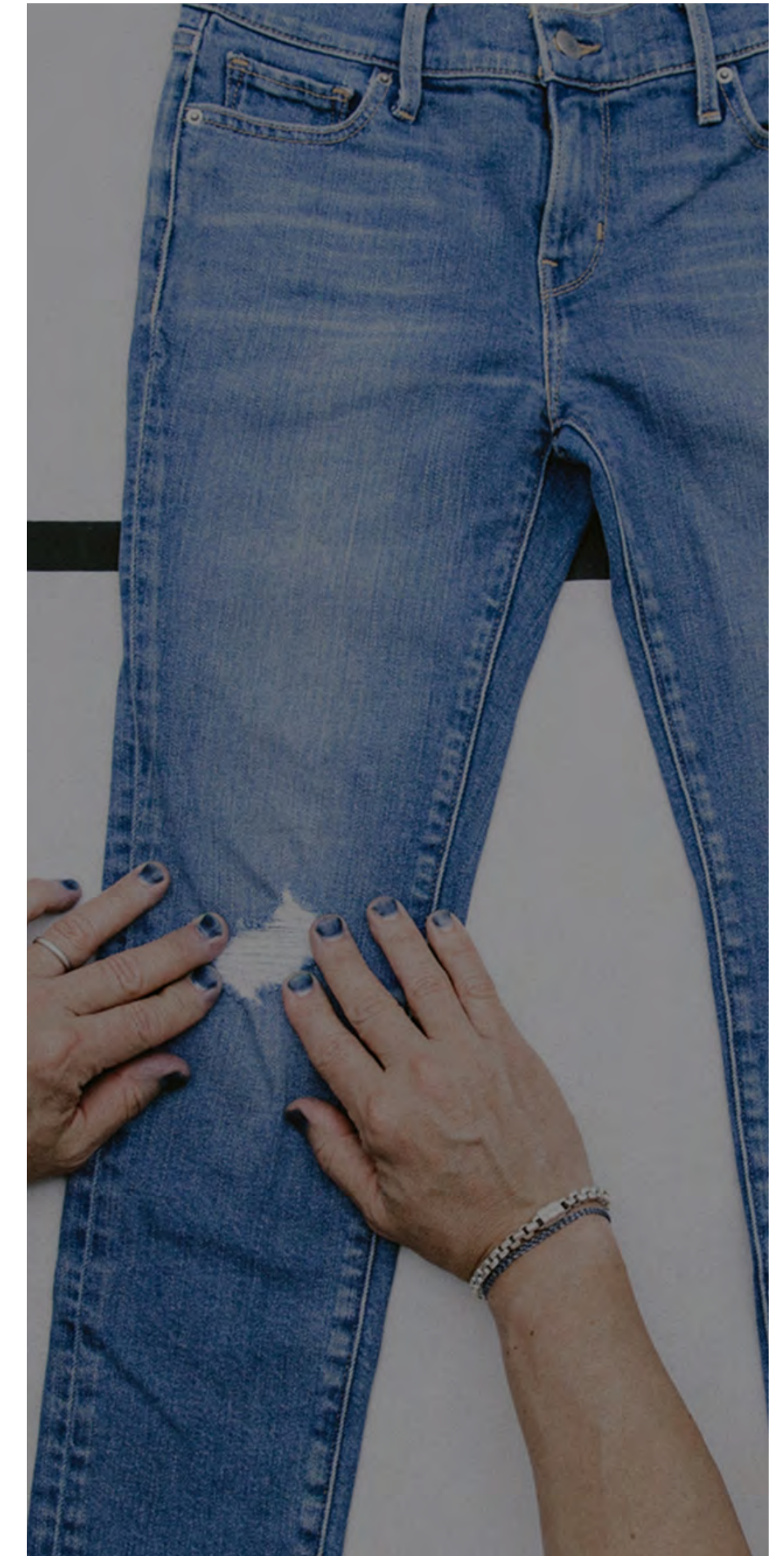
The thinking behind this is that it's far more valuable to save water in areas where it is scarce, and so a one size fits all approach would not address the nuances of different geographical areas, nor would it lead to a more efficient use of resources. Levi's therefore used to use the water data and processes it has to focus more strategically on local water challenges to improve water usage in key areas.

Levi's used publicly available tools and datasets, such as the WWF Water Risk Filter to understand where its own value chain overlapped with areas of high water stress.

Levi's could categorise suppliers in terms of low, medium and high stress areas. Targets could then be set according, so suppliers in higher stress areas would be assigned more ambitious targets for the reduction of water use, and efforts could be focused where the greatest impact could be achieved.

So, in areas with high water stress, Levi's has been participating in collective action projects to gather more data and improve performance. For example, [Levi's partnered](#) with the World Wildlife Fund, Earth Genome and Arizona State University (ASU) to identify and diagnose sources of water stress in the Ravi River basin, Pakistan.

This enables local stakeholders to use findings on water levels, supply and demand, and forecasted stress to bring the basin back into balance.





The part played by digital transformation

For long-term sustainability projects to work effectively, and to be carried out over time, it's essential that the business is healthy.

This can often involve digital transformation, a process that can benefit organisations in terms of generating greater revenue online, but also in terms of creating a more agile company which can carry out sustainability strategies more efficiently.

Levi's has focused on a range of digital strategies, to expand its online presence, to connect the online and offline experience, and to use technology to improve both. For example, the company has [introduced enhanced customisation and personalization](#), both in-store and online.

It has also added omnichannel features which allow customers to move between physical and online channels more easily. These include the ability to order online and pick up in store, multichannel returns and for sales staff to place orders in store if certain fits and sizes are unavailable.

An RFID inventory management system helps to improve operations, allowing for effective stock management and the optimisation of store layouts and stock levels,

Ecommerce growth has been another key focus, with expansion into new markets, and a focus on improving the existing customer experience online.

Their tech based transformation also applies to the value chain. For example, Levi's [Project F.L.X.](#) digitises the denim finish design and enables a responsive and sustainable supply chain at scale.

According to Levi's:

“Project F.L.X. is a radical breakthrough that will shape the future of how jeans are designed, made and sold. We believe it is possible to make iconic apparel with authenticity, agility and sustainability at the forefront – all while protecting the quality craftsmanship consumers know and love us for”.



Impact and results

With some of the company's targets set for beyond 2020, some are still a work in progress. However, the company has provided updates on its progress in various areas in its 2019 Sustainability Review.

Climate

- Levi's achieved 72% renewable electricity in all owned-and-operated facilities by the end of 2018.

Cotton

- 83% of cotton was sourced by Levi's from the Better Cotton Initiative, organic cotton farms, or recycled cotton suppliers.
- Levi's introduced Wellthread, which uses cottonseed hemp to create a more sustainable material.

Water

- 68% of Levi's products were made using Water<Less techniques.
- 3.5 billion litres of water have been saved since the introduction of Water<Less.
- More than 5.7 litres of water have been recycled in product and fabric manufacturing.
- Water use in high water stress areas has been reduced by 50%.

Digital transformation

- The impact of Covid-19 can be seen in Levi's results with Q3 2020 revenues down by 27%.
- This was offset partly by its online growth, with ecommerce revenues growing 52%.
- In its 2019 Annual Report, Levi's put ecommerce at 5% of total revenue, so there is still room for growth through digital channels.

Key Takeaways

- The importance of data and localised strategies. Sustainability projects are underpinned by accurate data which enables savings to be made, and for efforts to be targeted where they can be most effective.
- This approach is apparent in Levis' approach to reducing water usage. By identifying and targeting the greatest efforts towards high water stress areas, it can find solutions to suit each individual location best.
- The importance of Innovation to find new materials. The fact is that, for many companies in the fashion industry, the very materials they use are the problem. This means that, as well as finding more sustainable sources, companies need to find alternative materials.
- The use of cottonised hemp - essential hemp made to look and feel like cotton - is one such innovation which has helped the company to find a new sustainable source of materials for its products.
- Innovation in terms of process is needed. Levi's was using processes which were dependent on water use, so it was necessary to look at ways to change this.
- Digital transformation is key. Levi's long-term growth is dependent on being able to increase its presence in, and profits from, digital channels. Levi's is one of many brands which has been so accustomed to a physical retail strategy that it has been perhaps slower than many to grow online.
- However, the company is addressing this, and starting to improve its online experience and grow ecommerce sales.





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