

Oklahoma State University

Fast Fashion:
Adjusting Nike's Future in the Apparel Industry

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Abstract

Fast fashion companies have set a new standard for cheap and fast production in the apparel industry. Through use of synthetic materials and cheap labor, they have reduced costs far below average and made clothing more accessible to those who want many different apparel pieces. However, they have also perpetuated poor working conditions in low- and middle-income countries, increased microplastic pollution and greenhouse gasses, and contributed to the growing piles of clothing in landfills. They have been responding to consumer demands for cheap clothing made quickly, but those demands are shifting.

Consumers are beginning to question brands legitimacy and preferring companies who are genuinely concerned about the planet. However, their purchasing decisions do not always reflect this sentiment, leading to companies being hesitant to invest the extra funds into sustainable business practices. Instead, they use greenwashing to market their product to these segments without the added costs. Nike is a great example of companies marketing themselves as a socially aware company while simultaneously exhibiting anti-worker behavior. As a giant in the fashion industry, Nike needs to take advantage of shifting consumer demand and begin investing in sustainable business now. They can be a forerunner for change that will grow their business, increase their profits, and make the world a little bit better too.

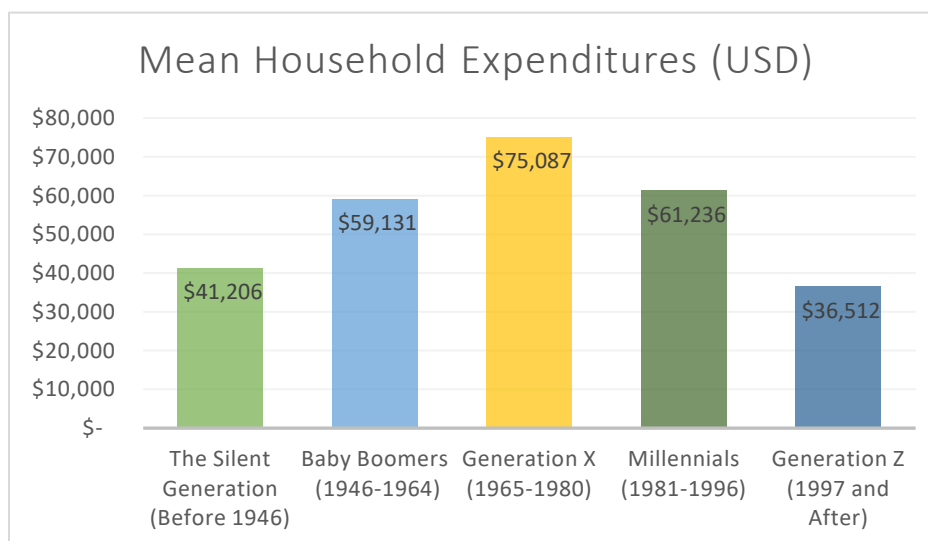
The Definition of Fast Fashion

Fast fashion is the inexpensive and generally poor-quality clothing readily available at most clothing stores. It is a trend driven by consumer demand for more varied clothing options, full closets, and a need to follow quickly changing styles. Retailers must carry styles from the red carpet to their stores as fast as possible, which earns them the name “fast fashion.” This clothing is intended to be worn only a few times before being discarded, and it is made as cheaply as possible and sold at a lower price to compete with other retailers. This approach has made many companies such as Zara and Fashion Nova highly profitable. However, these short-term strategies have a strong negative impact on the global environment and societies these companies are based in. Regardless, fast fashion is the only segment of the fashion industry that has grown in the last fifteen years (Hyman, 2016). This provides a strong case in support for this business model, but this is not sustainable growth, and will fail as consumer demand adjusts.

Fashion Nova is a fast fashion company known as “an Instagram brand,” where the clothing is designed to be worn for one picture and then never again. As the CEO of Fashion Nova, Richard Saghian, says, “It’s important to have a lot of styles because our customers post so much online and need new clothes. We don’t want girls showing up to the club in the same outfit. We need 50 different denim jackets. Not just one” (Hughes, 2018). Therefore, most of the clothing costs \$50 or less. Fashion Nova can have samples of popular clothing made in 24 hours, modeled in 48, then ready to sell within two weeks after conception. In addition, the company released nearly 600 new items each week in 2018 (Hughes, 2018). Another fast fashion company, Zara, compressed the product manufacturing process into a timespan of 15 days (Aftab, 2018). This is a fraction of the time it takes traditional fashion companies.

Zara calls their supply chain strategy “Rapid-Fire Fulfillment.” This responsive technique allows the company to respond quickly to changes in consumer demand and frequently rotate products on the shelves. Most luxury brands require five to six months for a design-to-retail cycle. Zara completes this cycle in three weeks. This responsiveness is Zara’s main competitive advantage, and they achieved it through vertical integration and tight coordination. In other words, Zara owns nearly every aspect of production such as design creation, material sourcing, order process, production, distribution, and sales. This ensures all the systems work together seamlessly, allowing the company to respond quickly to changes in customer demand and have complete control over their product. For example, a manager at a brick-and-mortar store reports sales for the day, sending data directly to the factory where the clothing is manufactured. This data allows the factory to slow production on a low selling item and increase production on a hot item over the next two weeks. (Aftab, 2018). This responsiveness is one of fast fashion’s main advantages and has set them up for success.

While on the surface fast fashion meets the demands of customers, ever growing research suggests that sustainability is becoming a greater concern. This is especially true for Generation



Z, or those born between 1997 and 2012. Generation Z also makes up over 25% of the of the U.S. population, making them a valuable sector for marketers to focus

Fig. 1. Visualization of mean household expenditures in 2020. Data from: “U.S. Annual Household Expenditures, by Generation 2020.” Statista, 24 Feb. 2022, <https://www.statista.com/statistics/825887/us-annual-household-expenditures-by-generation/>.

on. However, there is not yet much research on their purchasing decisions. This generation tends to be very skeptical of companies, relying instead on social media and peers to form opinions about different brands (Courtney, 2020). One study claims that about 60% of this generation demands that companies be socially or ethically conscious to be deemed trustworthy (Swain-Wilson, 2019). This means companies must be authentic and clear to sell to this generation (Bedgood, 2019). Since consumers tend to purchase from companies that share their values, companies must move toward transparency and genuine concern for people and the planet we live on.

The Problems with Fast Fashion

The shift towards fast fashion has been made possible by the ease of mass manufacturing caused by a rise in globalization, economies of scale, and relocation of manufacturing to areas with cheaper labor. Increasing demand for cheap clothing drives production. However, unlike traditional manufacturing, fast fashion cannot rely on producing mass amounts of one item. They must respond quickly to changes in demand to avoid an excess of old product and therefore storage costs. Instead, they reduce costs using cheaper material and labor.

Synthetic materials tend to be the cheaper option. In 2017, about 60 percent of all apparel was made from synthetic fibers. These synthetic fibers are mostly non-biodegradable, but their impact is nearly invisible. While pollution caused by large plastic can be seen on beaches or large patches of garbage floating in the ocean, synthetic fibers instead produce microplastic pollution. Washing these fabrics contributes 35 percent of the microplastic pollution in the oceans. These microplastics have been found in lakes, rivers, oceans, and tap water. (Boucher, 2017). In addition, studies have shown that natural fibers such as cotton and rayon degrade in natural aquatic aerobic environments, while “polyester microfibers are expected to persist in the

environment for long periods of time” (Zambrano, 2019). The cheap and fragile fabrics are often too flimsy to be repaired, cheaper to just replace, or discarded before damage occurs anyway (Peters, 2021). Yet, these fabrics also make fast fashion inconvenient for some consumers, as these clothes require consumers to replace their clothing regularly.

Labor is another area where fast fashion companies reduce costs. Nearly 90% of clothing manufacturing is outsourced to low-and-middle-income countries (LMICs). Garment assembly employs 40 million workers around the globe, and most of these jobs have poor working environments and are often unsafe for workers. Due to poor political infrastructure and organizational management, occupational and safety standards are not enforced. These include respiratory hazard due to cotton dust and synthetic air particles in factories with poor ventilation and musculoskeletal hazards from repetitive motion tasks. Many workers have debilitating conditions such as lung disease, cancer, endocrine disruption, fetal damage, accidental injuries, overuse injuries, and death (Bick, 2017). Despite these reports and multiple factory disasters, safety standards have not significantly changed to protect the workers.

Another devastating effect of fast fashion is the growth of greenhouse gas (GHG) emissions. The apparel industry produced 6.7% of total global GHG emissions in 2018, and footwear produced 1.4%. This 8% is equivalent to about 3.9 billion metric tons of CO₂-eq. To put that into perspective, the average person consumes about 25.13 pounds of apparel each year. This produces 442kg CO₂-eq emissions per person, which is approximately the equivalent of each person driving a car 1,500 miles every year (Quantis, 2018). In addition, manufacturing locations are concentrated in LMICs in Asia, where factories are reliant on coal and natural gas to generate electricity and heat (Quantis, 2018). This manufacturing of disposable clothing has also contributed to a rise in pollution in these countries.

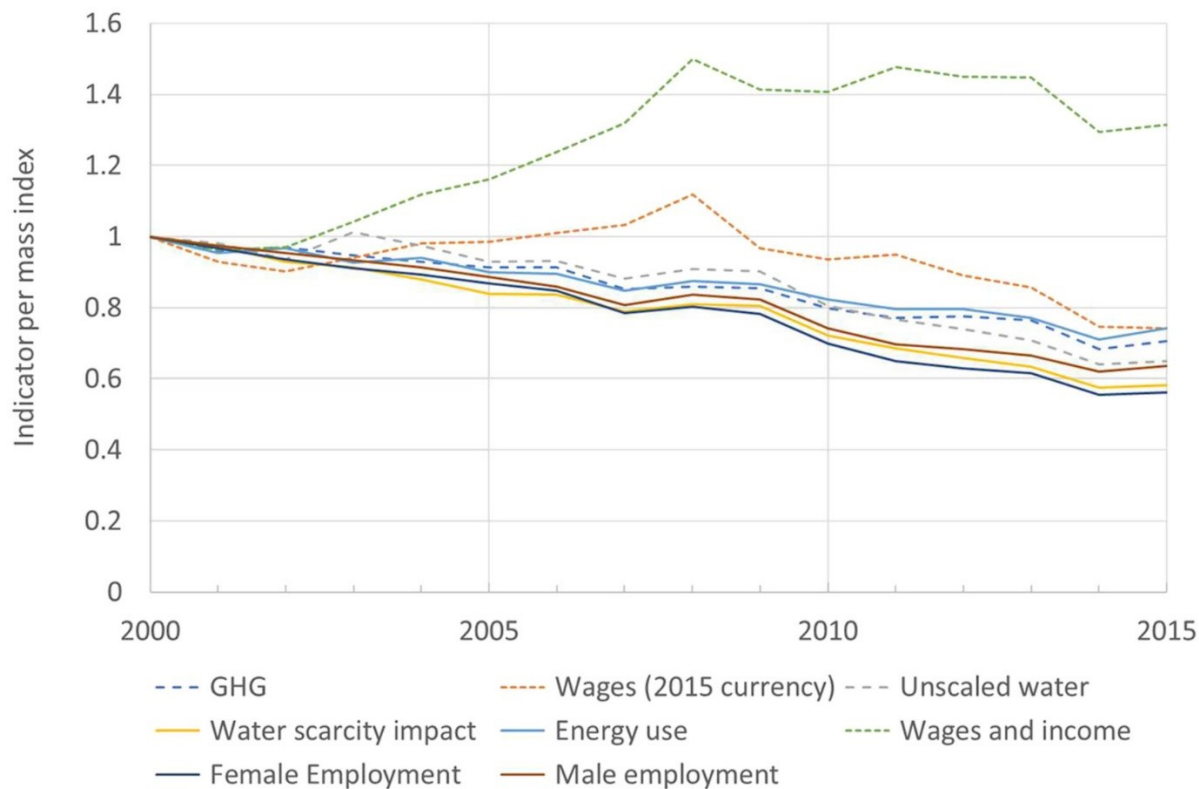


Fig. 2. Indicator trends (2000–2015) from Greg Peter’s 2021 “The Need to Decelerate Fast Fashion in a Hot Climate - a Global Sustainability Perspective on the Garment Industry.” *Journal of Cleaner Production*, vol. 295, <https://doi.org/10.1016/j.jclepro.2021.126390>. Accessed 21 Feb. 2022.

However, a study in 2021 found that while CO₂ produced by clothing and footwear consumption has risen, the impacts per garment has decreased significantly. As visualized in figure 2, textile production increased 75%, but CO₂ only increased about 30% in the same time frame. As the chart above illustrates, energy use, water use, and GHG have decreased, while employment as wages (in 2015 currency) have as well (Peters, 2021). However, this chart is a great example of trying to make a visualization confusing to be able to frame a narrative. It specifically states “per mass index,” meaning that while the water impact and energy use have decrease per garment, 190 billion pounds of apparel are still going to use an enormous amount of energy and water.

Another positive attribute of fast fashion is the decrease in prices for consumers. It is more accessible for low-income buyers than more responsible, higher-quality options and it has also allowed individuals to express themselves and build careers on social media through fashion. It is ultimately cheaper to buy fewer high-quality clothes, although many consumers are unable to pay the upfront cost (Baker-Wacks, 2021). Despite this, fast fashion is making a serious negative impact on the planet and workers around the world. This is predicted to only continue getting worse as demand rises for inexpensive, poor quality clothing options. The only ways to reverse this trend is for society to reduce demand for cheaply made clothing that sacrifices the lives of others and the planet. We must eliminate fast fashion as a business model and reduce reliance on fossil fuels in manufacturing to reduce the impact of this industry on our global environment.

The Alternatives to Fast Fashion

While fast fashion has been the dominant trend in the clothing industry, it is not the only one. Companies such as Patagonia have become landmarks for sustainable practices, as well as numerous smaller brands. These responsible products tend to be more expensive, as the companies use higher quality materials and have higher wage costs. In general, many of these articles of clothing are meant to be worn for several years, or perhaps never replaced and instead repaired. These approaches to fashion manufacturing are slower and yield less profits and less growth.

For example, Patagonia has adopted a circular business model. Circular business models are designed to manage the flow of material and products through the economy to reduce adverse environmental side-effects that come with extraction, use, and disposal of those materials (Borkey, 2018). For Patagonia, that means strictly monitoring their supply chain, encouraging

DON'T BUY THIS JACKET



It's Black Friday, the day in the year retail turns from red to black and starts to make real money. But Black Friday, and the culture of consumption it reflects, puts the economy of natural systems that support all life firmly in the red. We're now using the resources of one-and-a-half planets on our one and only planet.

Because Patagonia wants to be in business for a good long time—and leave a world inhabitable for our kids—we want to do the opposite of every other business today. We ask you to buy less and to reflect before you spend a dime on this jacket or anything else.

Environmental bankruptcy, as with corporate bankruptcy, can happen very slowly, then all of a sudden. This is what we face unless we slow down, then reverse the damage. We're running short on fresh water, topsoil, fisheries, wetlands—all our planet's natural systems and resources that support business, and life, including our own.

The environmental cost of everything we make is astonishing. Consider the R2[®] Jacket shown, one of our best sellers. To make it required 135 liters of

COMMON THREADS INITIATIVE

REDUCE

WE make useful gear that lasts a long time.
YOU don't buy what you don't need.

REPAIR

WE help you repair your Patagonia gear.
YOU pledge to fix what's broken.

REUSE

WE help find a home for Patagonia gear you no longer need.
YOU sell or pass it on.

RECYCLE

WE will take back your Patagonia gear that is worn out.
YOU pledge to keep your stuff out of the landfill and incinerator.

REIMAGINE

TOGETHER we reimagine a world where we take only what nature can replace.

water, enough to meet the daily needs three glasses a day) of 45 people. Its journey from its origin as 60% recycled polyester to our Reno warehouse generated nearly 20 pounds of carbon dioxide, 24 times the weight of the finished product. This jacket left behind, on its way to Reno, two-thirds its weight in waste.

And this is a 60% recycled polyester jacket, knit and sewn to a high standard; it is exceptionally durable, so you won't have to replace it as often. And when it comes to the end of its useful life we'll take it back to recycle into a product of equal value. But, as is true of all the things we can make and you can buy, this jacket comes with an environmental cost higher than its price.

There is much to be done and plenty for us all to do. Don't buy what you don't need. Think twice before you buy anything. Go to patagonia.com/CommonThreads or scan the QR code below. Take the Common Threads Initiative pledge, and join us in the fifth "R," to reimagine a world where we take only what nature can replace.

patagonia
patagonia.com



TAKE THE PLEDGE

*If you sell your used Patagonia product on eBay[®] and take the Common Threads Initiative pledge, we will collect your product on patagonia.com for no additional charge.

customers to repair their clothing, and providing recycling options. They are constantly reducing waste and improving working conditions for workers manufacturing Patagonia clothing. They are so confident in this that they are completely transparent with their customers about their supply chain. They have an online resource that illustrates the design, production, and distribution of Patagonia items and how these steps affect the environment and society (Poddar, 2021). One of the most groundbreaking approaches Patagonia made was a Black Friday advertisement claiming, “Don’t Buy This Jacket” (Patagonia). They ran the ad to encourage consumers to reduce their purchases in favor for

Fig. 3. Patagonia “Don’t Buy This Jacket” advertisement from 2011. Patagonia Outdoor Clothing & Gear, <https://www.patagonia.com/home/>. Accessed 21 Feb. 2022

using what they already owned. This ad was ultimately a failure, however, as Patagonia's sales rose 30% after the campaign launched (Kenji, 2020). They also sell used Patagonia gear to encourage buyers to reduce their impact on the planet and buy less, consequently testifying to the quality of their gear. It is so durable that they can sell it used for the same prices at many clothing items listed on Zara (Patagonia). This is an attempt to slow down the fashion industry and encourage consumers to buy only what they need and make it last.

It is important to note that Patagonia is an outlier in the fashion industry. As Milton Friedman famously said, "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits..." (Friedman, 1970). Unlike Patagonia, most companies use marketing as a tool to increase sales, with little to no regard for the impact of those sales. Although corporate social responsibility has grown over the last few decades, companies exist to make a profit, and that profit comes from maximizing revenue and minimizing cost. Because of this, marketing has perpetuated consumerism, furthering the mentality that we need to purchase new items constantly. Patagonia has proven that there is an alternative approach, but the company must invest in this philosophy from its core. Otherwise, they may be accused of "greenwashing" and have a negative effect on their brand image.

Greenwashing occurs when there is an "intersection of two firm behaviors: poor environmental performance and positive communication about environmental performance" (de Freitas Netto, 2020). In other words, greenwashing happens when a firm has a negative impact on the environment, but reports being environmentally friendly. In 2010, it was reported that 95% of Canadian and American products claiming to be green committed some form of greenwashing, from hidden trade-offs (ignoring certain dangerous attributes, but touting green ones) to false labels (using fake "green" endorsements to appear environmentally friendly) (de

Freitas Netto, 2020). One example of greenwashing in fashion would be labeling clothing lines as “sustainable,” when no legal language exists to use this term or continuing to produce several thousand other garments that are made from even worse materials. In addition, the use of greenwashing has caused a rise in green skepticism. Real green strategies suffer, since it is hard for customers to be able to determine the validity of green initiatives (de Freitas Netto, 2020). This adds an extra barrier for consumers in an already difficult-to-traverse world of searching for sustainable clothing options.

How Consumers View Fast Fashion

Given that companies exist to make a profit, how can they employ environmentally and socially responsible actions to increase profit? Patagonia proves that this is possible, but it is difficult to do successfully. An increasing number of companies are implementing sustainable practices in their business strategy. A few reasons why more companies are pursuing sustainable business practices are increased operational efficiency, new customer acquisition, increased competitive advantage, strengthened brand reputation, and increased long-term business viability (EPA, 2022). Given these advantages, every company should begin *genuinely* implementing these ideas into their business model. However, sustainable products tend to be priced higher, and many clothing consumers tend to be price sensitive, which increases the demand for cheap, fast fashion. A marketer has a difficult task to determine a customer’s willingness to pay (WTP), or the maximum price they are willing to pay for a product. Research has shown that some consumers are willing to pay a premium for sustainable products if they align with their values (Jung, 2016). This is called value creation, where a consumer is willing to spend more to receive a product that is more valuable to them.

An April 2020 survey conducted by McKinsey&Co concluded that 88 percent of the 2,000 survey respondents believe that “more attention should be paid to reducing pollution” (Granskog, 2020). In addition, “newness” has become one of the least important attributes affecting customers’ purchasing decisions. According to the McKinsey&Co survey, 66% of respondents want apparel that is more durable, 70% higher quality, and 46% sold by a brand they trust.

Importance of factors when selecting which fashion brand to buy from, % of respondents (n = 2,004)

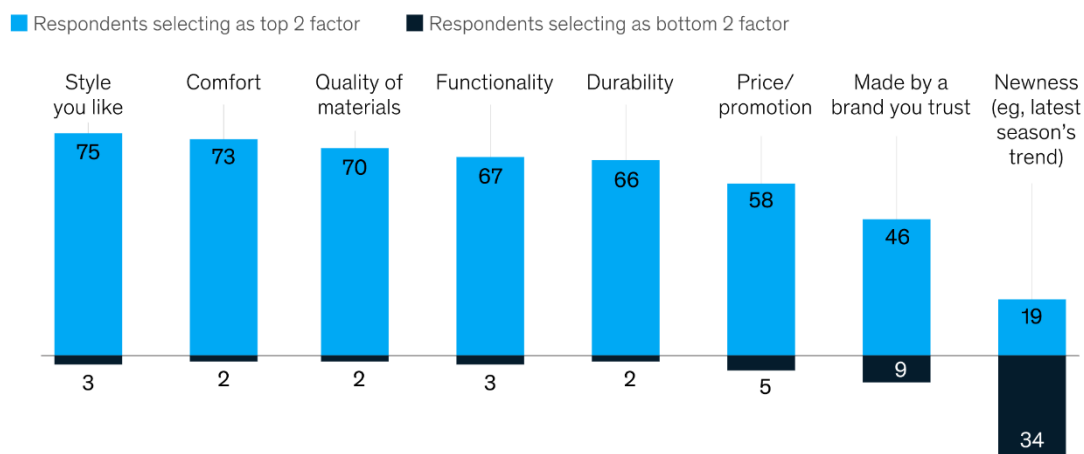
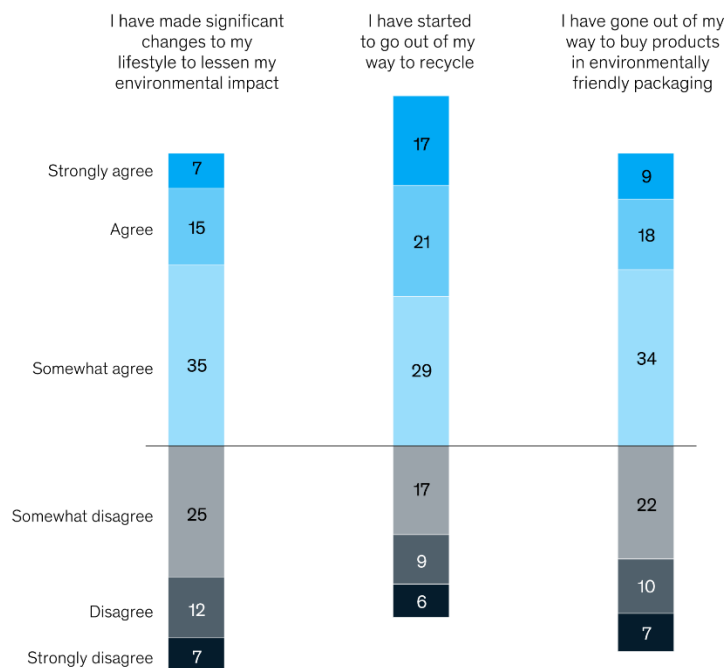


Fig. 4. Granskog, Anna, et al. “Importance of factors when selecting which fashion brand to buy from.” Survey: Consumer Sentiment on Sustainability in Fashion, McKinsey & Company, 17 July 2020, <https://www.mckinsey.com/industries/retail/our-insights/survey-consumer-sentiment-on-sustainability-in-fashion>.

However, there is a significant gap between consumer intention and consumer behavior. The “ethical purchasing gap” describes the phenomenon where environmental consciousness does not lead to ethical behavior (Nicholls, 2006). For example, a car buyer may value high gas mileage and reducing their carbon footprint, but if the eco-friendly model has less power and a loud engine, they may choose a less efficient option. The biggest example is paying a premium price for eco-friendly or ethically made products, as higher quality materials and higher wages for workers typically means higher product prices. These trade-offs are a big hurdle to marketers as they try to push consumers from intention to action for those altruistic product attributes to produce a profit.

The McKinsey&Co survey also found that 57% of respondents claim to have made significant changes to their lifestyle to reduce their impact on the environment, and over 60% go out of their way to purchase products in environmentally friendly packaging in 2020.

Change in behavior during COVID-19 crisis, % of respondents (n = 2,004)¹



¹Figures may not sum to 100%, because of rounding. Question: Thinking about your habits and attitudes over the past several weeks compared with prior to the COVID-19 crisis, to what extent do you agree with the following statements?

Fig. 5. Granskog, Anna, et al. "Change in behavior during the COVID-19 Crisis." Survey: Consumer Sentiment on Sustainability in Fashion, McKinsey & Company, 17 July 2020, <https://www.mckinsey.com/industries/retail/our-insights/survey-consumer-sentiment-on-sustainability-in-fashion>.

In addition, 67% say sustainable materials and 63% say a brand's promotion of sustainability are important factors to consider when making purchasing decisions (Granskog, 2020). These results show that not only do consumers care about sustainability, but their values are affecting their purchasing decisions.

A study conducted in 2016 concluded that these values did not necessarily lead to more purchases. Many consumers wanted to buy sustainable clothing options based on perceived value, sustainability mindset, and uniqueness. However, these values do not always lead to

purchases due to concerns for sustainable clothing. These include lack of style, price, and general skepticism. Similar to much past research, the study found that consumer attitude is a weak indicator of eventual purchasing decisions (Diddi, 2019). Instead, researchers often look at past trends to predict future performance.

A study published in the *Journal of Business Research* that considered 883 new product introductions of national brands concluded that sustainability might decrease sales when launching a new product in some industries. Consumers can perceive sustainable products as lesser quality, fearing that the brand invested more money into resources creating the product than the quality of the product itself. However, this effect may be mitigated, as the research found that an association between the brand and sustainability reduces the effect of this fear. There is a large gap between the two, as researchers found that a company with high perceived sustainability can have 1,268% higher sales, compared to a company low in perceived sustainability that has 94% lower sales for a new sustainable product (Van Doorn, 2021). This makes it more difficult for new companies to launch sustainable, innovative products, as consumers fear paying more for lower quality products. I believe this discrepancy is caused by marketing, and therefore can be remedied through marketing.

With effective branding and advertising, a company can build their image in sustainability and increase consumer trust. However, to avoid the greenwashing pitfall, a company must invest in sustainability for more than increased sales. Companies such as Ben & Jerry's and Patagonia have thrived using this technique and are known first and foremost by their mission to be sustainable companies. This has built a reputation that increases consumer trust. Brands must not only convince consumers that their environmentally friendly product is equal to the competition, but also that the product is worth the cost.

Noting Fast Fashion for a Competitive Advantage

Nike is a global company and a household name. Since 2015, Nike has earned the title of world's most valuable apparel brand according to BrandFinance. In 2021, their brand value increased by 9%, to \$33.2 billion ("Nike Retains...", 2022). Yet in 2019, there were questions of whether Nike would maintain this title. After a contentious sponsorship of athlete Colin Kaepernick, Nike's customers were divided, and many decided to boycott the brand.

The customers' reaction to this advertising campaign was heavily influenced by attribution theory, or their interpretation of the motive behind the altruistic sponsorship behavior. The theory further posits that "motive attribution could provide the foundation for sponsor credibility and subsequent positive attitude toward the sponsor" (Rifon, 2004). For example, customers who believe Nike truly believed in race equality generally responded positively to the campaign, while others responded similarly to this tweet reported in a 2020 study by the Global Sports Journal:

"So is Nike attempting to redeem themselves for their long, long history of abuse of women and children (and men) in sweatshops around the world? Sorry, Nike, but there

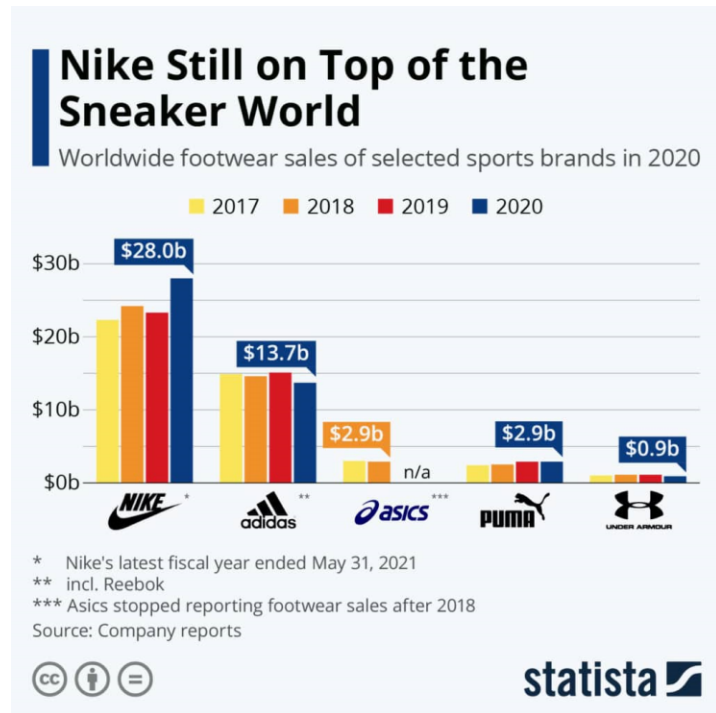


Fig. 6. "Nike Still on Top of the Sneaker World." Statista Infographics, Statista, 25 June 2021, <https://www.statista.com/chart/13470/athletic-footwear-sales/>.

are too many other excellent manufacturers of outdoor sporting attire for me to ever darken one of your retail portals again...! I consider Nike to be one of the seamier manufactures out there. They're a good 'show' I don't trust 'em..."

The study concluded that customers' reactions and further purchasing decisions were also largely based on their personal beliefs, regardless of Nike's approach. Customers' personal identification with the social movement greatly impacted their perception of Nike's campaign and how they intended to proceed with their purchases (Brown, 2020). This echoes the sentiment toward marketing efforts surrounding sustainable business practices as well. A customer must trust a brand to believe that these efforts are valid and worth their investment.

To analyze how Nike can effectively use sustainability to increase their profits, it is important to first address their current efforts at sustainability. In 1991, a report by Jeffrey Ballinger exposed Nike's use of sweatshops in Indonesia and Jim Keady reported on Nike's use of child labor in 1996. Despite these reports, Nike was slow to change its manufacturing process to address increasingly louder calls for change ("Nike Sweatshops," 2019). Today, Nike has better policies to monitor its supply chain and is more transparent, but they do not ensure that they are paying worker a living wage in their factories. Some of their supply chain is certified by the Fair Labor Association (FLA) Workplace Code of Conduct, but not all (GoodOnYou, 2022). In addition, the Australian Strategic Policy Institute has investigated and reported that Nike is one of 82 well-known global brands to use labor in Xinjiang, China.

Xinjiang is under investigation for using forced Uyghur labor. Uyghurs are a Turkish ethnic group native to the Northwest China. The report describes an eastern Chinese factory that makes shoes for Nike, saying it is equipped with watchtowers, barbed-wire fences, and police guard boxes. Additionally, the Uyghur workers are reportedly unable to go home. At the factory, the Uyghur workers make Nike shoes all day, then attend a night school to receive 'vocational

training’ and ‘patriotic education.’ The curriculum at this night school closely reflects that of Xinjiang’s ‘re-education camps’ (Xu, 2020). Despite evidence from several sources, Nike denies these claims, saying they do not source from this region and there are no Uyghur workers at Qingdao Taekwang Shoes Co. Ltd, their largest manufacturer (“Nike Statement...”, 2021). Yet, Qingdao Taekwang Shoes reportedly employed approximately 600 Uyghur and Kazakh laborers in the beginning of 2020 (Mashan, 2021). They are also one of the major companies lobbying Congress to weaken a bill that is due to ban imported goods from Xinjiang made with forced labor (Swanson, 2021). This recent investigative reporting does not bode well for Nike, as they have a reputation for employing child labor and labor from sweatshops.

Industry analysis: Using strategic business tools to conduct an analysis of Nike’s place in the fashion industry to build a framework for recommended actions.

Situation (SWOT) analysis: A SWOT analysis considers where Nike has been, where it is now, and where it is headed considering external and internal forces within the context of the firm’s marketing plans. It serves as a tool to identify industry trends, analyze the firm’s competitors, assess the firm itself, and research the firm’s current and prospective customers (Kerin, 2015). This is broken down into a 4x4 matrix shown below.

Strengths- Internal	Weaknesses- Internal
<ul style="list-style-type: none"> • Strong brand awareness and brand value • High economies of scale • Public statement of sustainability • Powerful sponsorships • Own many smaller brands • Substantial marketing capabilities and budget of \$3.11 billion in 2021 (Tighe, 2021) • Reputation for social activism • Significant market share at 13% of 	<ul style="list-style-type: none"> • Working conditions in manufacturing • Sells directly to retailers • High percentage, 39%, of sales are in US market (Gupta, 2021) • Multiple pending lawsuits regarding equal pay act and discrimination (Campbell, 2018) • Lack of product diversification

athletic apparel market (Gupta, 2021)	
<p>Opportunities- External</p> <ul style="list-style-type: none"> • Emerging markets in developing nations • Wearable technology combined with athletic wear • Improve marketing analytics capabilities • Vertical integration of supply chain from manufacturing to sales • Virtual fashion (Pacheco, 2021) • Luxury items • Investment into sustainability and true transparency 	<p>Threats- External</p> <ul style="list-style-type: none"> • Counterfeit options • High competition with major brands such as Adidas and Puma • Patent disputes (Pierson, 2020) • COVID-19 foreign exchange fluctuations • Materials endanger kangaroo population (Webber, 2021)

Porter's Five-Forces model: This model predicts the attractiveness of a certain market environment based on five distinct criteria. These criteria are based on the ease of entering a market, but keeping new competitors out, and maintaining a competitive advantage within that market. These five forces are as follows (Dess, 2014):

1. The Threat of New Entrants: The possibility that new competitors will enter the market, decreasing the profits of established firms.
2. The Threat of Substitute Products and Services: Many alternatives for a product places a ceiling on prices and increases competition between companies.
3. The Bargaining Powers of Buyers: Buyers can threaten an industry by forcing prices down or demanding higher quality or more service. They can also switch to another competitor, increasing competition in the industry.
4. The Bargaining Power of Suppliers: Suppliers can raise prices or reduce quality of goods and services.

5. Intensity of Rivalry Among Competitors (Competition): Tactics such as price competition, advertising battles, product introduction, and increased product luxuries.

This places pressure on rivals to maintain their position or surpass each other to prevent customers from switching to competitors.

Force	Strength	Description
Threat of New Entrants	Low	The barriers to entry in the clothing industry are quite low. However, Nike is so established that it would be nearly impossible for a small company to unseat them. Nike has a large economy of scale to be able to out-produce any new entrant.
Threat of Substitutes	High	While Nike's design is unique, their lack of sustainability is putting them at a disadvantage with Gen X consumers. Clothing can be purchased from not only large and small brands, but also use or counterfeit.
Bargaining Power of Customers	Medium	Customers have low switching costs between brands. However, apparel is a necessity with no substitutes. In addition, Nike has many buyers that each customer contributes only a small portion of their overall revenue.
Bargaining Power of Suppliers	Low	There are many suppliers that Nike can purchase materials from. They outsource most of their manufacturing to companies that compete for

		these contracts. However, it is more difficult to find suppliers that meet high ethical standards.
Industry Competition	High	There are many competing companies in this industry, and many of them are marketing aggressively and growing quickly (Gupta, 2021). This market is highly saturated with powerful brands.

The fashion industry is a highly competitive industry with many powerful players. If Nike has a fall, there are a multitude of companies ready to steal their market share. Clothing is also an item that is easily replaceable, making it easier for consumers to switch between companies. These factors make marketing crucial. To stand out in the crowd, companies must draw attention to themselves and provide the customer with something unique. While customers do not have a large amount of power currently, that power is increasing as social media use becomes more prevalent. Information about a company's ethical standards and business practices are easily accessible and spread quickly.

Nike's biggest advantages are its size and its brand reputation. By being the biggest company in the industry, Nike can set some of its own rules amongst suppliers and lower their costs through sheer size. This makes it easy for Nike to remain at the top, since there is little competition to compete at that level. As long as Nike avoids serious scandal or financial trouble, they are the strongest competitor in this industry.

Recommendations for Nike's Sustainability

While Nike is not a fast fashion company, they commit many of the sins fast fashion companies are accused of, such as using unethical materials and not guaranteeing living wages for those who make their product. Currently, Nike holds the power to change the fashion industry for the better, and they should. Based on the industry analyses and consumer sentiments outlined in this paper, I present the following conclusions.

1. Nike should take a strong stand to move toward a more environmentally conscious and socially beneficial business model. They need to implement third-party audits of their supply chain to limit bias and earn accreditations. This is becoming especially important as Generation X becomes higher spenders. For this to be an effective competitive advantage, Nike needs to convince buyers that they truly believe in change, and their campaign is not just marketing. This includes overhauling all of their products, not just a “green” fashion line.
2. Fast fashion’s success is admirable, and Nike should learn lessons from this. Vertical integration makes information transfer and manufacturing data more actionable. While Nike has historically removed themselves from manufacturing in favor of contract manufacturing, this strategy has garnered much public outcry. To ensure a responsible supply chain, Nike should take control of some parts of their manufacturing. In addition, they can implement marketing analytics to predict trends and apply them directly to production.

Each of these strategies will rely heavily on marketing efforts. An overhaul of the manufacturing process will require efforts from the entire company, but effective marketing efforts will help drive sales. Nike must convince their customers that they are truly trying to make a change for a better world, and that is worth paying for. This will

come from advertising, public relations, social media campaigns, and product packaging that tells Nike's story.

Conclusion

Fast fashion is a movement in the apparel industry that takes advantage of cheap labor in developing countries. Driven by consumer demand, companies continue to exploit workers to increase profits. This trend has grown over the last two decades and must be stopped. Generation Z is driving the shift toward sustainability and their growing buying power is one way to make a substantial, positive change in the fashion industry. However, it is ultimately up to the companies to make a change. While Nike is not considered fast fashion, they take advantage of cheap labor and materials, just like major fast fashion companies.

Nike is facing pressure to adopt ethical manufacturing processes. Gen Z is taking the lead in driving ethical manufacturing. Their beliefs and buying power will compel clothing manufacturers to make this change.

I think it is highly unlikely that Nike would overhaul their entire manufacturing process to be more ethical. However, they are facing pressure to adopt ethical manufacturing processes and sustainable materials as the newer generations of buyers drive a change in demand. Their beliefs and buying power will compel clothing manufacturers to make necessary changes. If a company with the abundance of resources that Nike has makes a huge change and can show that it is possible and maybe even profitable, the rest of the industry will follow. If the change starts with the companies, they can decrease the costs of sustainable items through economies of scale and make these products more accessible for consumers. Nike needs to be an industry leader and set

an example for overcoming a dark past to be able to make a greener future. In the end, this will likely make them more profitable and popular as well, as consumer attitudes shift.

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