

Monumental Change Consulting

<u>Team Member Name</u>	<u>Year</u>	<u>Major</u>
Aevyn Koczera	First Year	International Business
Natalia Parientes	Second Year	International Business
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Brenda Santiago-Ramos	Fourth year	International Business
Jaime Perez-Bedmar Merello	Fourth Year	International Business & Finance

Advisor(s): Anna Helm, Alexis Gaul, Laura D'Antonio

Topic Title: Transforming Zara's Supply Chain: A Sustainable Evolution

Audience: Zara Board of Directors

Sustainable Development Goal

SDG 12: Ensure Sustainable Consumption and Production Patterns

Executive Summary

Zara is considered the pioneer of fast fashion. Founded in 1975, its vertically integrated supply chain means Zara is able to cycle through trends in as fast as 2-3 weeks. Originating in Spain, Zara has been able to successfully capture a global audience with their rapid production of clothing and ability to create trends. However, consumer preferences in the fashion industry are quickly changing. According to Forbes, consumers of all generations are increasingly likely to seek out and spend more on sustainable, high-quality products. Having faced accusations of greenwashing and recent boycotts over problematic promotions and workers rights issues, Zara needs to respond to the shifting consumer sentiment.

Despite Zara's initiatives focused on equality and sustainability, its ESG score only reached 31-40% in 2021, below the 50% required to be considered "environmentally sustainable" according to Good On You Directory. Many factors contribute to Zara's low ESG score. According to Bloomberg, Zara's fast-paced business model creates an excess of unsold clothing that gets recycled less than 1% of the time, the rest being thrown out. Since Zara is a global company, emissions that come from the shipment of clothes to each store is significant in its impact on the environment. There have also been issues with factory safety regulations and its conditions for workers. Since Zara is not transparent about their supply chain, third parties are unable to hold Zara accountable and ensure proper safety. We suggest an initial investment ranging between \$150- \$350 million is necessary for Zara to combat these current issues. Zara should revolutionize their brand by reducing textile waste, investing in EVs for supply chain transportation, and enhancing safety of factory workers in order to make their brand more ethical and compliant with sustainability standards.