

Inditex and Sustainability: Are Inditex's commitments enough to make the company a sustainable fashion brand?

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Abstract

The purpose of this paper is to explore the relationship between Inditex's fast fashion business model and their sustainability commitments, specifically looking at the environmental impact of Inditex's supply chain. The methodology of the paper analyzes Inditex's annual reports from 2014 through 2018 and their Commitment to Sustainability report published in 2019. I compare the commitments made in each report and look for any follow up information on these promises. My research aims to evaluate if Inditex's business model can be considered sustainable or if their commitments and promises are a form of greenwashing. As a leader in the fast fashion industry, and a company that self-proclaims their leadership in sustainability, it is important to determine if Inditex can truly be a leader or if their attempts are just a way to distract consumers from their environmental impacts. Previous research shows that Inditex's business model makes it a leader for brands of its kind and has been for some time. Their ability to design, manufacture, and transport apparel to their customers in such a short time keeps them ahead of their competitors. However, it is this business model that makes the company unsustainable. Despite commitments made and programs put in place, the company cannot be sustainable as long as their business model remains that of constant growth.¹

Keywords

Inditex, sustainability, fast fashion, greenwashing, supply chain

1. Introduction

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In its lifecycle, a single garment goes through many different steps. During each step, the garment has some sort of impact on the environment. Unfortunately, there is little to no research done on exactly how impactful one piece of apparel can be and what can be done to minimize its impact. For this reason, it is important that companies take individual responsibility to minimize the impact their products make.

In the past few decades, the fashion industry has been taken over by fast fashion brands like Inditex, whose business model is built around the concept of producing trendy clothing that mimics styles seen on high fashion runways--fast and cheap. For the purpose of this paper, fast fashion can be defined as inexpensive clothing produced rapidly by mass-market retailers in response to the latest trends. In Brewer's article about promoting sustainability and responsibility with fast fashion brands, he states "The democratization of fashion, spurred by cheaper garments, allowing companies to market to the masses, contributes to a throw-away culture and insatiable consumer demand for the latest knock-offs of the seasons 'it' pieces" (Brewer, 2019, pg. 1).

It is estimated that the fashion industry produces over 92 million tons of waste per year and consumes 79 trillion liters of water during the production process. On top of this, many chemicals used in the production process are harmful for the environment. Fast fashion contributes the most textile waste, most of which is incinerated, landfilled, or exported to developing countries (Niinimäki et al., 2020). For this reason, it is important for fast fashion brands such as Inditex to incorporate sustainable development into their supply chain. The UN World Commission on Environment and Development defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." (Brundtland Commission, 1987). For the context of this paper, this definition is expanded to measure whether the development of Inditex includes an

increase in recycled garments and a decrease in waste, hazardous materials, energy, and water consumption. I use this definition when evaluating the sustainable commitments made in Inditex's annual reports.

As a public interest in sustainability and environmental impact within the fashion industry has grown, so has greenwashing. Marciniak (2010, pg. 53) defines greenwashing as “a marketing instrument used mainly by large corporations in order to give the impression of ecological issues concern.” Further, the dictionary adds “greenwashing is disinformation disseminated by an organization so as to present an environmentally responsible public image.” (Greenwashing, 2021). To evaluate Inditex's commitments, I will provide a background on the company and define their business model to provide a better understanding of their influence in the fast fashion industry. I will then outline and analyze the commitments made in annual reports and conclude whether these promises create sustainable change with the company's current business model.

2. Background

Inditex, established in 1963, is a Spanish based company that owns a total of eight brands: Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, and Uterque. In total, the company has 7,469 stores that operate in 96 markets globally and 202 markets online (Inditex). In 2018, Inditex made €26,145,000 in net sales with €18,021,000 coming from Zara alone (Inditex 2018). Since 2002, Inditex has been releasing annual sustainability reports that outline the company's business model and set goals in design, manufacturing, distribution, and stores. In 2001, the company outlined a Corporate Social Responsibility model which takes “into account the guidelines of the Sustainability Reporting

Guidelines 2002 of the Global Reporting Initiative” (Inditex, 2001: pg. 7). Since then, Inditex has released new goals annually either in their Sustainability Reports or in their Annual Reports.

In June of 2018, Inditex released a new sustainability pledge that set goals for 2020, 2023, and 2025. In this commitment, the company outlines the following categories as areas for improvement: design, manufacturing, distribution, and stores (Inditex 2018). By 2025, the company aims to use 100% sustainable cotton, 100% recycled polyester, 100% sustainable linen, and operate all facilities (headquarters, logistics and stores) on 80% renewable energy among other specified goals. They state they will continue the use of their clothing collection program that allows customers to donate unwanted items to be reused or recycled by the brand. They also make a commitment to invest in the research and development into “technology in order to further promote research into global sustainability challenges with leading academic institutions such as Massachusetts Institute of Technology (MIT)” (Inditex 2018, pg. 11).

2.1 Business Model

In order to evaluate Inditex’s ability to be sustainable, it is important to understand their business model. One of the biggest challenges the fast fashion industry faces, is how to get the latest trends to consumers faster than any other brand. Inditex’s most successful brand, Zara, has become one of the top fast fashion competitors for its ability to seamlessly produce what consumers want fast and cheap. They are well known for their use of a vertical integration model in which they own most of their supply chain and control almost every stage of production.

According to Carugati et al., 50% of products are manufactured internally with the remaining outsourced between Europe, North Africa, and Asia (Carugati et al., 2008). Inditex cuts and dyes their own fabrics and washes, irons, and tickets finished garments in-house. They outsource their sewing to small workshops located close to their Spanish production facilities.

“Inditex's carefully designed activity system allows it to bring new garments from the design stage to the shop floor in record time - days as opposed to months - which makes a big difference in the fast-moving fashion business.” (Zott et al., 2010, pg. 223).

Other leading fast fashion brands manage design and sales but outsource manufacturing to factories in other countries. This model can take up to eight months to complete the design to retail process (Sitaro, 2020, pg. 18). Inditex’s ability to produce the majority of designs in their own factories is what has made their business model and supply chain so competitive. “In 2003 Zara was the only retailer that could deliver garments to its stores worldwide (507 in 33 countries) in just fifteen days after they were designed” (Ferdows et al., 2003, pg. 2). This demonstrates the heightened role Inditex plays in the fashion world to be either an environmental leader or a major contributor to greenwashing and environmental degradation.

3. Methods and Limitations

To collect data, I read through Inditex’s annual reports from years 2014 to 2018. I focused on collecting data from the “Sustainability Strategy” and “Sustainability Balance Sheet” chapters of each report. Reading through each report I noted mentions and follow ups on the Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018 as well as mentions of any new sustainability programs or commitments. I also looked for literature that already existed that examined the company’s business model and supply chain. This allowed me to focus my research on how the company defines and measures the success of their sustainability commitments.

My initial goal was to find data that tracked how many garments Inditex produced each year, how much water and other natural resources it took to produce that clothing, and how clothing waste was handled. This information was not available. My goal was to locate

information that spoke directly to Inditex's direct impact on the environment. I was able to find information on how many products were released on the market yearly, but not how many products were *produced* by the company. This discrepancy is important because items that are damaged or defective are not accounted for and there is no mention of them in any of Inditex's reports. There is also little to no transparency on how many items were unsold at the end of each year and how the company disposes of these items.

The data that was available was reporting on their recycling programs. I used this data following Zara's Closed Loop Programme which tracks how many tons of apparel were collected each year and sent to be recycled. However, I could not find any mention of what was done with this collected apparel, how much of it was actually repurposed, and how much of it produced additional waste. Other limitations to the data included each report representing data differently. Some reports gave data on the company's overall energy consumption in Terajoules, while in other reports this information was not available.

Overall, the information that was provided year to year limits outside researchers' ability to draw any comparisons and determine if real progress was being made on previous commitments. In my data analysis, I examine the data from Inditex's annual reports that mention greenhouse gas emissions, nonhazardous waste, energy consumption, water consumption, products retrieved for recycling, and Join Life garments produced. I use the data provided to make my argument that Inditex's sustainability commitments are greenwashing.

4. Analysis

Over the past decade, Inditex has set a number of sustainability goals and commitments and implemented programs to help achieve these goals. The ones that focus on their

environmental impact include The List, the Closed Loop Programme, Join Life and Green to Wear. They also include a “Sustainability Balance Sheet” at the end of each annual report that provides their overall consumption of resources and production of wastes. In the four figures below, we see their production of greenhouse gases, production of non-hazardous wastes, water consumption and electricity consumption.

Scope 1 GHG are direct emissions associated with sources under the company’s direct control. From 2014-2018, their scope 1 emissions (figure 1) remained mostly the same. Scope 2 and 3 GHG are indirect emissions that are associated with electricity acquired by the company and the production of goods and services. From years 2015-2018 we can see there was an increase in scope 3 downstream and upstream transport gases and an overall decrease in scope 2 gases. (Annual Report 2018, 2019, pg. 286).

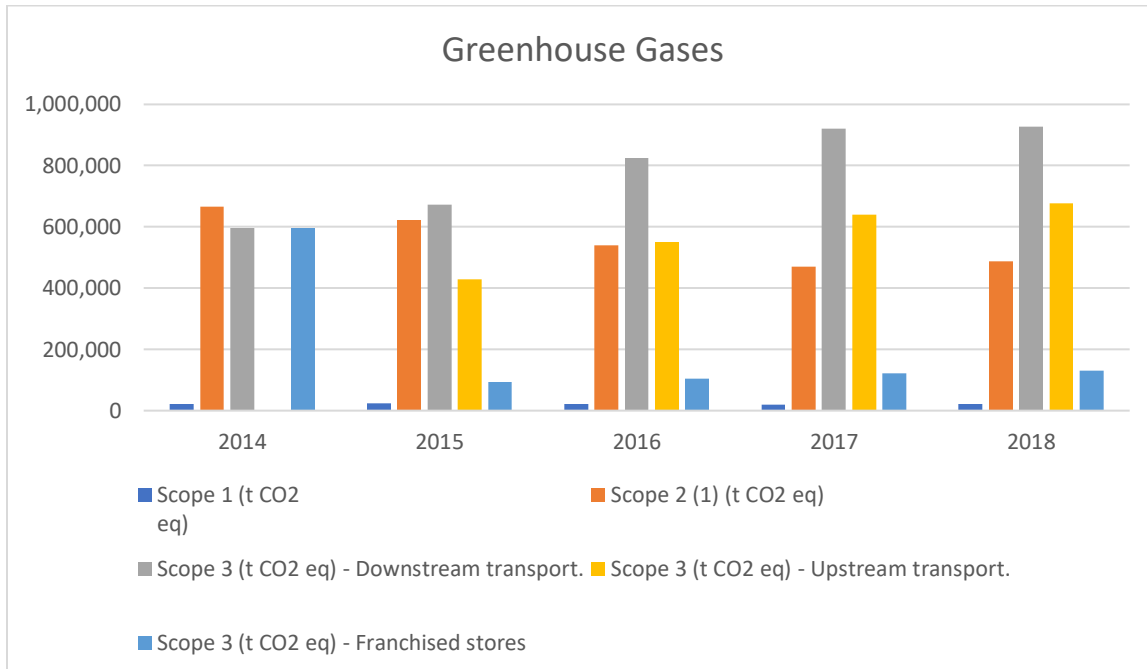


Figure 1. Inditex greenhouse gas emissions from 2014-2018. (There is no data for Scope 3 emissions for 2014).

Inditex’s non-hazardous waste includes all waste that ends up in a landfill (figure 2). They track cardboard and paper, wood, metal, plastic, textile waste and other urban waste that comes from all their own facilities. They have programs in place to try and channel the waste back through their facilities to recycle to avoid the use of virgin raw materials. In 2018, 88% of the waste generated was sent for reuse and recycling (Sustainability Report 2018, 2019, pg. 287).

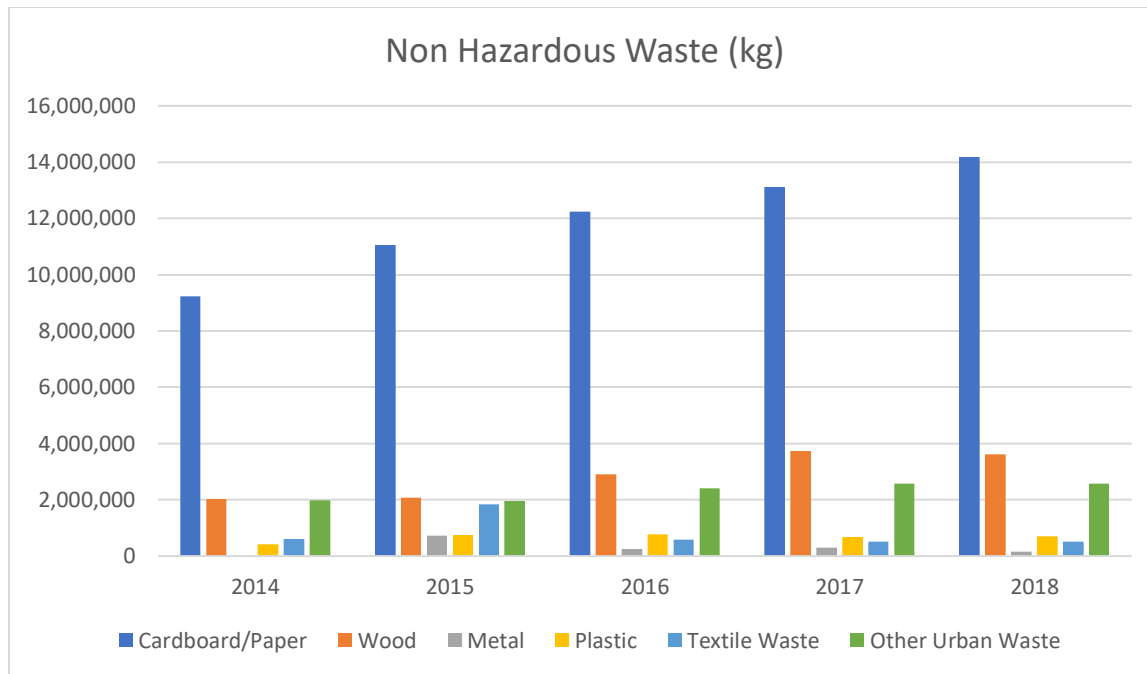


Figure 2. Inditex non-hazardous waste emissions from 2015-2018. (There is data for metal waste for 2014).

The company has worked to decrease their overall electricity consumption (figure 3) by building ‘eco-efficient’ offices for several of their companies. However, with the constant increase of new stores each year, there is an increase in energy consumption in stores. They do invest in their own renewable energy generation facilities, which is why we see an increase in renewable energy usage over the years. (Annual Report 2018, 2019, pg. 284). The data for Inditex’s water consumption (figure 4) comes from offices, Inditex plants, logistics centers and stores. Despite a gradual increase from 2015-2017, the company saw a decline in 2018 due to the

efficiency and water saving measures carried out in their facilities (“Annual Report 2018,” 2019, pg. 289).

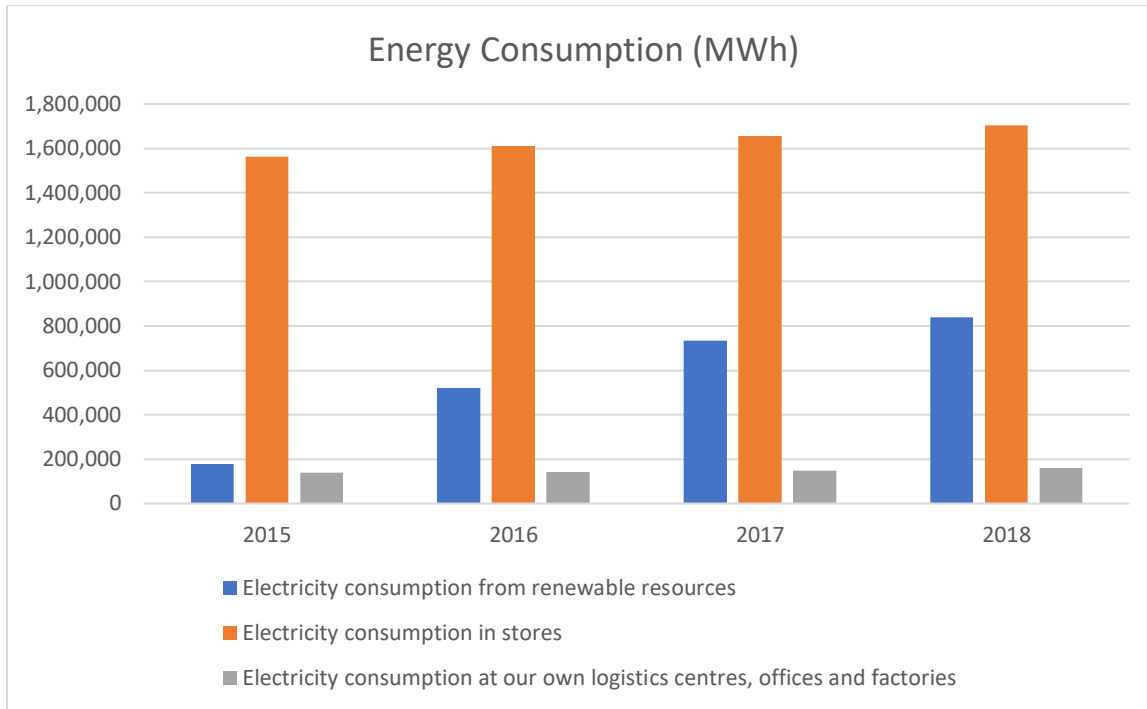


Figure 3. Overall energy consumption in Megawatts per hour from 2015-2018.

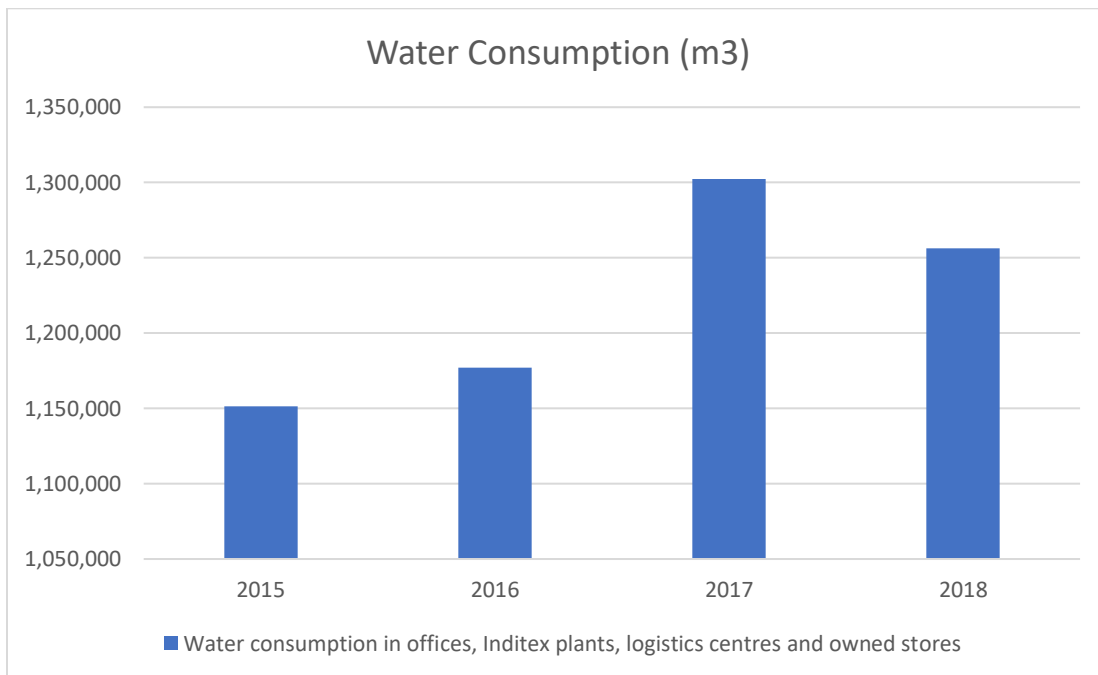


Figure 4. Overall water consumption in Inditex offices, plants, logistics centers and owned stores from 2015-2018.

4.1 The List, by Inditex

In 2013, Inditex developed a program in the textile and leather industry that was a collaboration with the chemical industry titled The List, by Inditex. This list classifies and improves chemical products used to manufacture garments. The verification of the chemicals involves audits on the facilities where chemical products are manufactured, a monitoring process of product health policies, and the analysis of chemical products. In 2018, there were 25,943 regulated chemical substances on The List. Each year The List is updated, identifying new chemicals. (Annual Report 2018, 2019, pg. 161).

4.2 Closed Loop Programme

The Closed Loop Programme aims to extend the useful life of textile products by reusing and recycling and preventing them from ending up in a landfill. There are three pillars of the program: collect, reuse, and recycle. Currently, there are collection bins in Inditex headquarters and logistics centers and 1,382 stores. (Annual Report 2018, 2019, pg. 172). Figure 5 shows the increase of garments collected for the program from 2014-2018.

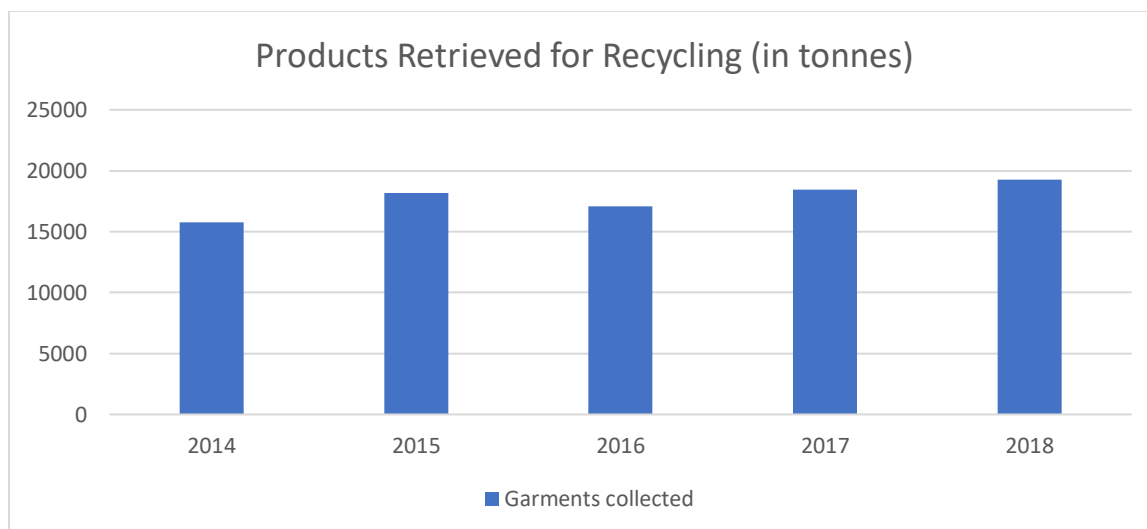


Figure 5. Products retrieved to be recycled for the Closed Loop Programme from 2014-2018.

4.3 Join Life

In 2015, the company launched Join Life under its brand Zara and since then have grown the concept to apply to all eight brands. The most sustainable raw materials and/or processes are labelled under the Join Life concept. It promotes the use of sustainable raw materials such as organic cotton, recycled polyester and Tencel™ Lyocell, and aims to reduce water and energy consumption. All Join Life garments must follow the following requirements:

1. Achieve A or B qualification during the social audit. (They grade the environmental performance of their manufacturers and suppliers on a scale of A, B, C or D. Those that score A or B can aim to achieve a Plus+ category if they implement the best GtW technologies in their processes (Annual Report 2018, 2019, pg. 156)).
2. All wet process factories involved in the manufacturing process (laundries, tanneries or printing or dyeing facilities) must have passed Inditex's environmental assessments and received A or B classification.
3. Manufactured using raw materials or production techniques of environmental excellence. (Our Commitment to Sustainability, 2019, pg. 11).

Figure 6 show Inditex's increase in Join Life garments and how many of those garments were made from recycled materials from 2016-2018. They categorize their fibers into three categories: natural, synthetic, and artificial. Natural fibers are filaments from a natural origin and include materials like cotton and wood. Synthetic fibers are made of polymers that are produced in a chemical plant or laboratory, mostly made from petroleum by-products and natural gas. Artificial fibers come from a natural material that has undergone several transformations in a chemical plan or laboratory. Inditex has focused their fiber sustainability goals on increasing

clothing made from 100% organic cotton, recycled materials and Tencel™ Lyocell, which is a fiber created using wood from sustainable forests (Annual Report 2018, 2019, pg. 153).

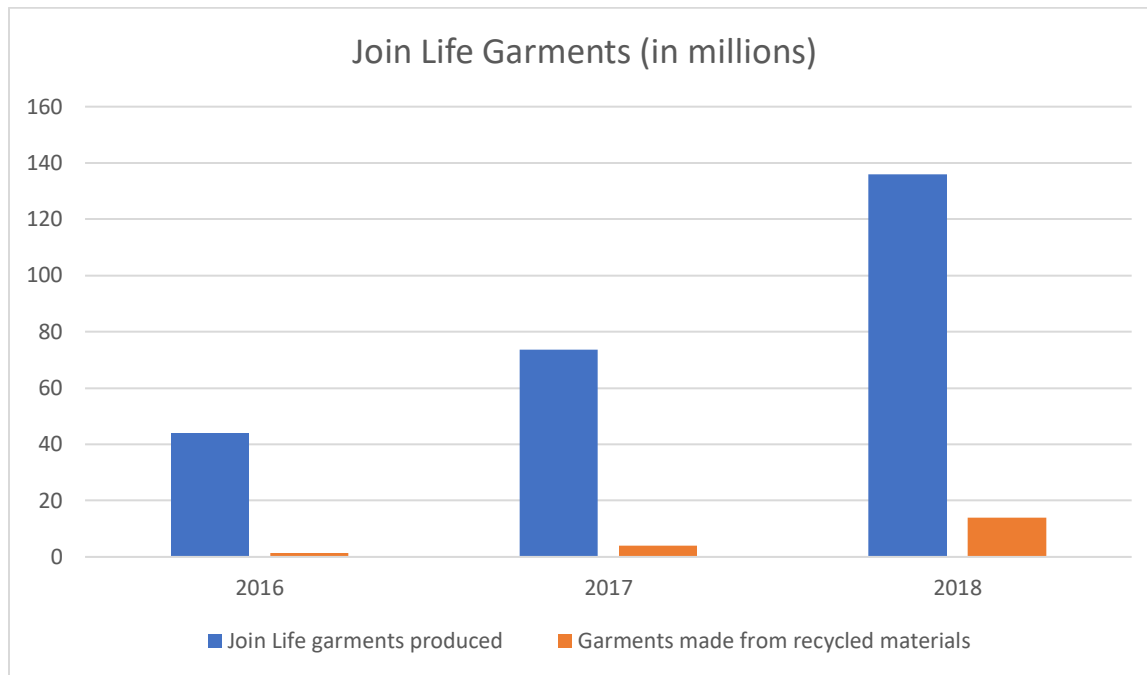


Figure 6. The amount of Join Life garments produced (in millions) and how many of those garments were produced from recycled materials from 2016-2018.

4.4 Green to Wear

In an attempt to produce safe, clean and responsible clothing, Inditex established a series of standards to measure their garments: Safe to Wear (StW), Clear to Wear (CtW) and Green to Wear (GtW). “Green to Wear defines the environmental behavior and minimum requirements that our manufacturers and suppliers must comply with, especially when they relate to wet processing (dry cleaners, tanneries, artificial leather factories, printing and washing and finishing installations)” (Annual Report 2018, 2019, pg. 156).

The GtW standard is applied during their production process to assign a grade to the mills that Inditex works with. Each mill is given a questionnaire and are assigned their grade based on

the result. Each classification is linked to a series of measures for continuous improvement that must be implemented by the mill, which would help Inditex move towards a more environmentally conscious supply chain. The grading follows the same grading system as *Join Life* garments and is defined as follows:

- A - Best in class. The "Best in class" mills are capable of an efficient and an effective management of their resources, increasing their productivity and reducing their impact on the environment.
- B - Good performance. The "B" classification is granted to mills that achieve a good level of environmental management of their activities, with efficient control of their resources and their environmental impact, but in which there is still room for improvement. These mills must implement an improvement measure each year until they achieve the "A" classification.
- C - Poor performance. These are mills at risk of being considered as "very poor performance" because their use of resources (water, energy, raw materials) is inefficient and/or they do not control their environmental impact in a proper and systematic manner (improper operation of their wastewater treatment processes, poor management of solid waste, etc.) These mills must implement an improvement measure every 6 months until they achieve the "B" classification.
- D - Very poor performance. These are mills that present a high environmental risk, carrying out non-sustainable activities with a high environmental impact. In view of the high environmental risk that they represent, these mills have 6 months to improve their situation, or they will no longer be able to manufacture products for the Inditex Group. (Green to Wear 2.0, 2021).

4.5 Future Commitments

In 2019, Inditex released “Our Commitment to Sustainability.” This is a report that evaluates their previous commitments and milestones in achieving sustainable programs and initiatives. It also outlines new commitments to be met in 2019, 2020, 2023 and 2025. These commitments are outlined in the table below. The table shows the commitments that are expected to be met each year. (Inditex: Our Commitment to Sustainability, 2019, pg. 23).

While these commitments are promising steps towards a more environmentally aware future for the company, they are vague in how they will be measured and fail to address the company’s intention to continually grow and produce more merchandise. For example, the goal to use 100% sustainable fibers, recycled polyester, sustainable linen, and sustainable cotton is greenwashing. The biggest failure Inditex makes with this commitment is the fact that they do not recognize the resources required to manufacture these materials and the fact that even though their fibers and textiles will be better for the environment, they will be producing more and more garments with each year. They mention going zero waste in headquarters, logistics, and stores but fail to mention what they will do with excess garment and textile waste, one of the largest forms of waste in the fashion industry. These commitments are used as a marketing tool to convince consumers and stakeholders that the company is changing their form of production, when really, they are making promises that will have no direct impact on their environmental footprint.

2019	2020	2023	2025
All headquarters and logistic platforms are eco-efficient (ten of them with LEED Gold certification)	100% eco-efficient stores in all brands	Zero Waste from our facilities (headquarters, logistics and stores)	80% of renewable energy in all our facilities (headquarters, logistics and stores)

New In-Home and Drop-Point garments collection service in Paris, London and New York	More than 25% of Join Life garments	100% sustainable cellulosic fibers, supporting the Roadmap towards a responsible viscose (Changing Markets Foundation)	100% sustainable cotton (organic, BCI and/or recycled cotton)
100% Zara stores will be eco-efficient (one year ahead of target)	Removal of plastic bags in all brands	100% single-use plastic free to customers	100% recycled polyester
Funding research on global challenges, collection and upcycling (Massachusetts Institute of Technologies – MIT)	100% stores with containers for the collection of used garments	100% of all packaging materials collected for reuse or recycling in our supply chain (Green to Pack)	100% sustainable linen
	Zero Discharge Commitment: implementation of the best wet processes in the entire supply chain.		
	Canopy Commitment: 100% certified forest friendly fibers		
	100% of the designers trained and specialized in circularity (Global Fashion Agenda commitment)		

5. Conclusion

While there are many programs and initiatives currently in place that have Inditex on the right path to be a leader in fast-fashion sustainability, I believe they are not there yet. I believe their claims and commitments are a form of greenwashing and they can never truly be a sustainable company until they look at their business model and rethink their need for constant growth.

Ultimately, one of the most blatant forms of greenwashing I saw within the reports came from the lack of information and transparency surrounding Zara’s Closed Loop Programme. This

has become one of the brands largest claims to sustainability along with the Join Life clothing line. On its face, it seems like a great attempt of the company to recycle clothing from their shoppers and reduce the amount of clothing that ends up in landfills. However, there is no follow up on what happens to those tons of clothing collected and no way for consumers to know if their clothing is being repurposed, like the company claims. Due to inadequate legal requirements, companies like Inditex are not required to be transparent or provide specific information for consumers. In Brewer's (2019: page 8) findings on the best way to hold fast fashion brands accountable, he states:

“Legal reforms and increased support for companies that pursue more sustainable practices are necessary to reorient the fashion industry and consumers away from the fast fashion model toward more sustainable sourcing, production, distribution, marketing, and consumption practices.”

One of my recommendations for the company to practice better transparency would be to format their annual reports the same each year. Keeping consistent with how the data is presented and organized each year would help consumers and shareholders compare this information year to year.

Another critique I have of Inditex is the fact that their business model allows them to be an ever-growing fast fashion monster. They can make large numbers of clothing fast and cheap and their success is dependent on their continual growth, which is not sustainable, even if you put into place sustainable practices. The number of garments released to market increased from 1 billion to 1.6 billion from 2014-2018. This translates to an average of 4.3 million garments released each day in 2018.

What makes it even more alarming is the unknown number of garments that are unaccounted for that were defective or damaged and not released to market. This number, no matter how you spin it, is not sustainable. There was also no information on how many garments are sold each year and what happens to garments not sold. The company would be more successful in their attempts at sustainability if they looked at how many garments are made vs. sold each year and how they could close the gap between those numbers by decreasing production and focusing on the quality and environmental impact of each garment individually.

If Inditex wanted to be a leader in sustainability, they could start by decreasing their production to only what is necessary. They could shift to a slower pace of production, spending more money and effort on producing garments made using less resources and upcycling unsold and defective garments. Instead of producing an endless supply of clothing which ultimately leads to higher amounts of waste, they could produce better quality garments that are made of better materials while keeping costs down.

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