

# **Sustainable development in the Retail Supply Chain Brazilian Fashion: Case Study**

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## **Abstract**

A wide and varied network of industry makes up the chain of Brazilian fashion retail suppliers, to meet consumers' diverse and differentiated products, making complex the selection of suppliers in relation to social and environmental requirements. It is necessary a study of the adequacy of these requirements.

**Keywords:** supply chain, retail, sustainable, fashion

## **Introduction**

This paper presents part of the research being conducted at research group in Fashion Textile Chain, whose proposal to study the issues of sustainability and socio-environmental in the Brazilian Textile Sector.

In recent decades, one sees increased interest in issues related to social and environmental aspects in the various industrial sectors. With the emergence of new legislation and pressure from stakeholders, so that the patterns of consumption and industrial production are reviewed, some reactive measures are taking place in the textile sector and especially in the confection process.

For Sachs (2008) "sustainable development complies with the ethical imperative double solidarity with the present and future generations, and requires the explicit criteria of social and environmental sustainability and economic viability."

To develop sustainably companies should be able to see not only cost social and environmental issues, but a business opportunity. Kotler and Keller (2013) companies able to innovate and be socially responsible are more likely to succeed.

Retailers in Brazil is an important economic and social development sector. According to Parente and Barki (2014), the annual sales volume exceeds R\$ 697 billion, representing 22% of Brazilian GDP.

Thus, this article aims to contribute to literature, and present part of the research already done on the actions taken by the companies in relation to social issues and requirements with the purpose of monitoring the supply chain in the fashion apparel retail. Analyze the relevance of these requirements and caused impacts on businesses of clothing sector and in the chain of suppliers and fashion clothing retail.

## **Literature review**

### **Retail and the chain of production of fashion clothing suppliers**

Retail is an institution whose main activity is the sale of products and services directly to consumers, and can be virtually. Includes all sales activities of goods or services directly to final consumers (Parente and Barki, 2014, Kotler and Keller, 2013).

The chain of clothing suppliers to Rech (2006), is led by the purchaser, but the production is decentralized, typically the production is done in developing countries (Gereffi, 2001) and can be fragmented, outsourcing the production processes.

According Berlin (2012), the development of this system occurs in two forms: the retailer comes in contact with the supplier and calls for the development of parts, in which case the fabrics and materials are provided by the manufacture. After approval of the pilot part is the production process: cutting, sewing, finishing, ironing and packing. The retailer seeking higher profits and the economy, sets the price that will pay requires faster delivery of the product. For faster, savings and increased profit, the supplier distributes the production, especially the sewing step to their partners. In some cases the retailer determines the product, buy the raw products and outsources all production process, only paying for labor.

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To Aligleri, Aligleri and Kruglianskas (2009), the retail establishes relationships with its various stakeholders, such as shareholders, employees, environment, customers, community and suppliers, and in recent years has been realizing that the economic and financial factor is not the only factor for their survival in the market. Although these authors point out that to be the value of chain link where finalizes the production and consumption begins, companies that express the environmental and social concern, will begin to be perceived and perhaps even more estimated.

Figure 1 shows the retailer's position among the various stakeholders and post-consumer solutions.

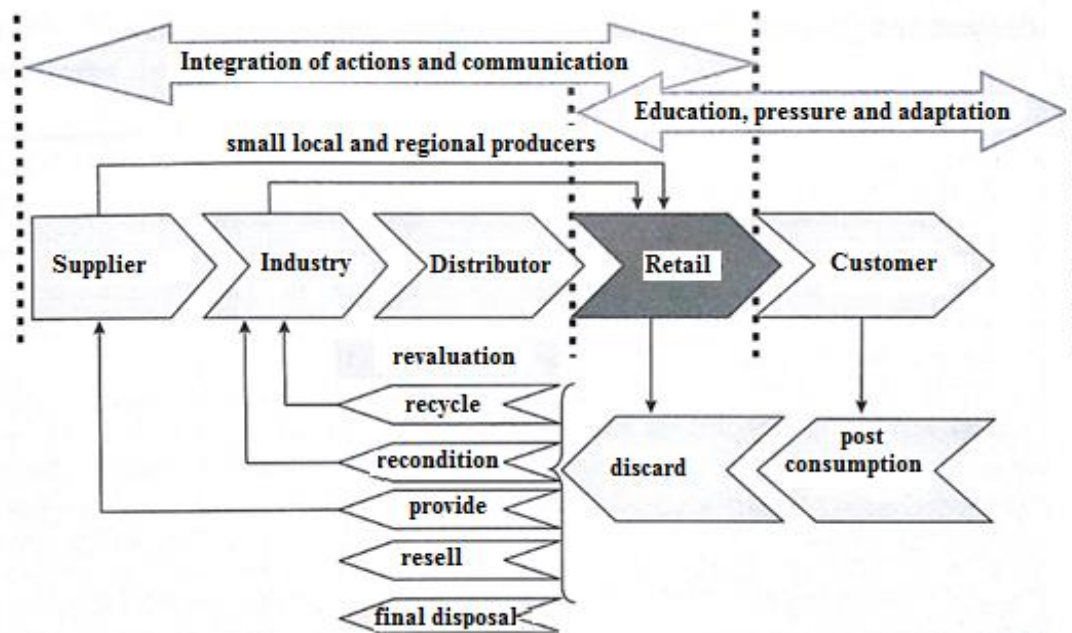


FIGURE 1 - Retail position in the value chain. Source: Aligleri, Aligleri and Kruglianskas (2009).

The retailer is the link between the supplier and the consumer. It is very important that it has a sustainability policy and its extension by its supply chain. According to Parente and Barki (2014), a retailer can influence the development of sustainable products and services in its supply chain.

For the chain of clothing suppliers can increase their competitiveness there must be a relationship based on criteria that add up, and collaboration between the parties, being built by constant dialogue.

## Sustainable development

Great are the impacts to the planet by a development guided exclusively in the economic model resulting in soil degradation, water contamination, excessive waste generation, climate change, and precarious working conditions, among others. Berlim (2012) asserts that in the name of purely economic growth are sacrificed the environment and society and thus the future viability of humanity. Thus was created the concept of sustainable development, which according to Sachs (2008), is a multidimensional concept, and has compliance with environmental, social and economic growth, and must take place in an integrated manner.

The motivations for this new form of development, mostly, are under pressure from various stakeholders internal and external form (Hart and Milstein, 2004, Dias, 2011, Klewitz and Hansen, 2013). These motivators act in order to pressure companies to adequacy of processes,

products and their actions, thus enabling companies to see the deficiencies in and out of the process, allowing through innovations identification and use of new practices, impart differentiation, competitiveness, profitability and consequently better reputation in the market (Porter and Linde, 1995 Porter and Kramer, 2006; Dias, 2011, HART and Milstein, 2004).

So the great challenge of the company is its ability to measure the consequences of its internal and external actions in the medium and long term and allowing anticipate. Being required for this, recognize the mutual dependence between corporations, society and the environment and the integration of these actors, the value of training and shared and indivisible responsibility, aiming to seek sustainable patterns (Porter and Kramer, 2006 Abramovay, 2009 Veiga, 2010 Sachs, 2008).

### **Analysis of the environmental impacts of the chain of apparel manufacturing suppliers**

Assuming defined by Veiga (2010), that "the basic issue of environmental relationship is on the way to understand the social changes that can never be separated from changes in the human relationship with the rest of nature," it is noted that the interaction between the social and the environmental can not be isolated and analyzed holistically yes, even Veiga and Cechin (2009), states that "handle with the separate components can reveal anything about their interactions."

Sachs (2003), emphasizes the need to guide the economy to growth modes with positive social impact and at the same time pay attention to the environmental dimension. Still Sachs (. 2009, p 71) lists the priority order to achieve social and environmental equity, building the system's sustainability, being classified as: social first, then the environmental and finally the economic as a result of the work of success that precedes it.

In the chain of fashion apparel manufacturing suppliers the main challenges to be met are social. According Berlim (2012) companies in the industry claim that it is very difficult to control all sectors of the textile chain and therefore there is no statistical data on these.

To Berlim (2012) the panorama of work in subconditions in Brazil is dramatic. A growing number of companies brought by migrant workers and Brazilians exposed to work in precarious conditions and often without legal contract.

We can list some companies that have undergone large negative exposure of their brands on the market compared to the social problems present in the process of making its parts. The iconic Nike case in the 90s, when demonstrators protested against the inhuman conditions that the labor was exposed for the production of the brand parts, which as Berlim (2012), resulted almost instantaneously loss of brand sales in the United States. And second Zadek (2004), every move of the company was examined, and each discovered problem was presented as proof of irresponsibility and greed of the organization. This author presents the five stages of organizational learning from Nike which are: defensive; compliance; administrative; strategy; civil. With these strategies incorporated into the company's business has become a benchmark in the market in terms of management and monitoring (Uniethos, 2013).

According Berlim (2012), the same happened with GAP, in its contracts with suppliers did not provide adequate labor relations to Asian employees. Starting a reactive posture, starting the global audit process to ensure that new hiring criteria were being met effectively.

In Brazil, as Cortes (2013) shows, from 2009 to the present day multiplied cases involving large national and international brands audited and fined: Retail Marisa in March 2010, sued for slave labor in its supply chain the company appealed and won in first and second instance; Retail Pernambucanas in 2011, also by slave labor and was ordered to pay R\$ 2.5 million compensation, "in the process, the company focused its argument in saying that it was not responsible for the workers, claiming never have interfered in the work of tailors "(Wroblewski, 2014). Zara also in 2011, admitted in 2014 the occurrence of forced labor in its supply chain, and how far the company announced an online parts monitoring process. Among other companies.

Zara, Marisa, Pernambucanas along with over 19 signatories are also part of the certification program of social responsibility of the Brazilian Association of Textile Retail - ABVTEX. This program, based on national and international standards of social responsibility, as well as in Brazilian labor law, began in 2010. The certification provides for independent audits to monitor practices, commitments and management aspects related to social and environmental issues and their laws.

## **Methodology**

Was conducted exploratory research as described Gil (2002) and Charoux, (2006) among other authors, involves literature, documentary, interviews and analysis of examples that lets you explore all possible dimensions of a problem. For that we used bibliographic and documentary research through articles, magazines, newspapers and company website that could provide more information, and to enable greater understanding of the theme.

Through a case study as Yin (2005), involves the direct observation by the researcher in the studied events, as well as interviews with individuals involved in them, was conducted interview with the Quality Manager and social responsibility.

## **The company**

The retailer, whose main office located in São Paulo, has five distribution centers across the country with approximately 16,000 employees and 416 stores. Its chain of current suppliers consists of 250 suppliers and 2000 national subcontractors. In addition to national suppliers, the company also has international suppliers in countries such as China, Bangladesh, Pakistan and India, but these countries are not known all subcontractors, as the audit process and monitoring of suppliers takes place only at the national.

The retailer in question does not have a supplier management program established corporately, but there are controls and indicators by purchasing sectors, quality control, logistics and social responsibility, and which are often not considered in the closure of a request for supply products, limited only by the demand for low prices. To Aligleri, Aligleri and Kruglianskas (2009), the shopping area can be an inducer of new socioenvironmental behavior of their suppliers should review the product, select the supplier and worry about labor conditions applied by these suppliers, and create indicators that can help them in choosing the supplier, that is, the search should not be limited only by price and product conformity. Therefore, there must be a constant dialogue between the acquiring company and the supplier,

so that Jutes can share information and seek continuous improvement of processes and products and contribute to the simultaneous development of environmental issues.

## Social Responsibility

The company began to study ahead of behavior change evidence its supply chain in 2009, when it started the social responsibility program, but with a minority, about 50 suppliers. But the following year a company of its supply chain has been audited by the auditors of the Ministry of Labor and Employment (MTE), and the retailer in question was assessed due to present irregularities in its supply chain, and the assessment in question was related to compulsory labor. Thus began a reactive change process forward pressure, through the knowledge of the real situation of their supply chain. In this process were identified several non-conformities with the labor and environmental legislation, and the vast majority worked informally with precarious working conditions, improper waste disposal, among others.

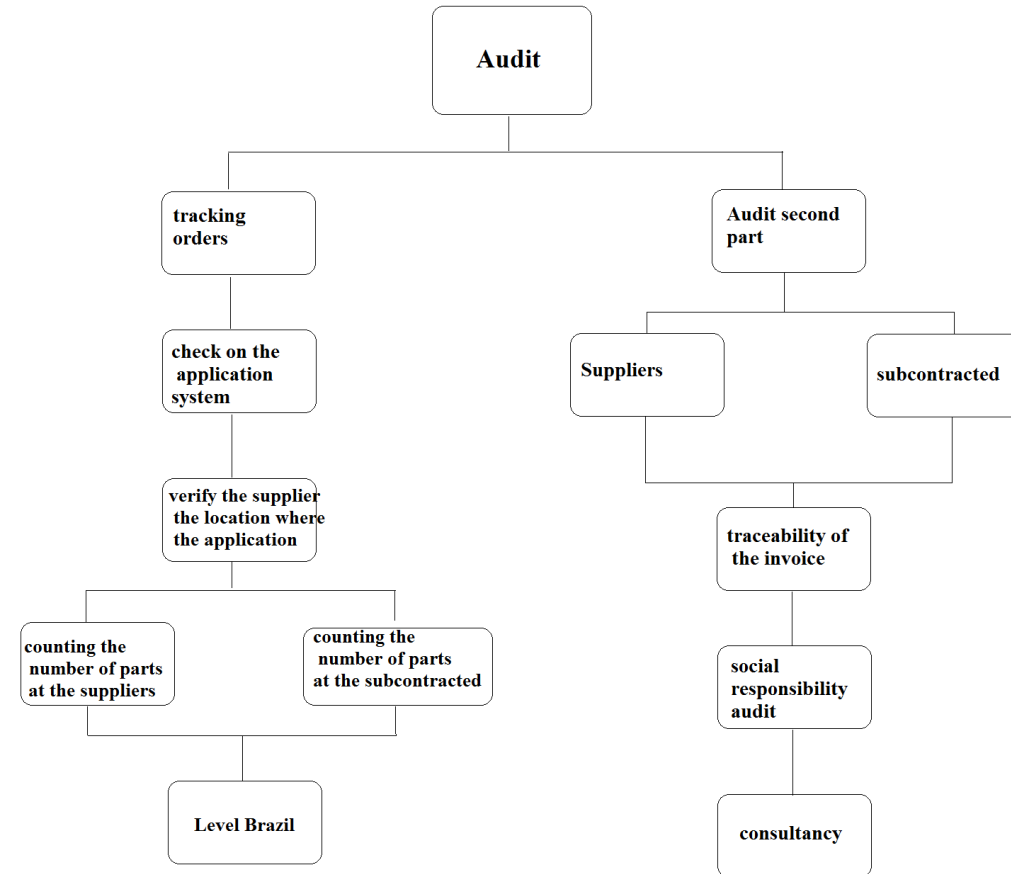
In 2010, this company as other became part of the ABVTEX supplier certification program for its entire supply chain. Thus, this retailer currently only accepts new and suppliers and subcontractors who are already certified and active in this program. Every supplier company shall maintain an updated list of subcontractors by the retailer and the ABVTEX. But Amato Neto and Marine (2014) warn that certification can help in choosing the supplier, but should not be used as the sole criterion, and there must be a strong and effective monitoring.

The company also participated in the ABVTEX program, has the third-party audit program, conducted by a multinational certification, and with internal audit processes, comprising: Audit second part, maintenance and traceability applications, and all unannounced. The audit of the second part, aims to portray the real working conditions of companies and the maintenance checks continuous compliance with the established requirements. On the other hand seeks to identify traceability of production of parts, that is, if there by choosing random order, which are produced by counting the parts relating to the quantity identified in the invoice. These measures were taken to improve the reliability of the audit process and are enhanced periodically. Were held to date over 7500 audits.

*Table 1 – total of audited companies*

	2009	2010	2011	2012	2013	2014	Total
Third party	0	487	338	164	426	296	1.711
Second part	150	0	853	1.241	1.597	1.988	5.829
Total of audited companies	150	487	1.191	1.405	2.023	2.284	7.540

The figure 2 below is the process of company's audit study.



*Figure 2 - Flow chart of the audit process. Source: Authors*

The results obtained in the audit process show that before the implementation of this program the vast majority of suppliers and their subcontractors, worked irregularly and in disregard for the labor and environmental laws. Companies that depending on the non-compliance and its score that do not meet the pre-established in the audit requirements, can stay in action plan or be disaccredited. Today all companies that are part of the retail supply chain comply with labor and environmental laws.

After joining the retailer to social responsibility certification program ABVTEX and internal audit program, there was a reduction of approximately 50% of the number of its suppliers and subcontractors. This reduction, according to the manager, was both the new selection criteria but also because of the suppliers fail to be competitive due compliance with the legislation, required by the audit process, as the unsuitability. This is due to several factors: the price paid by buyers; taxes paid by suppliers; lack of innovation; lack of management; opportunism buyers, among others.

And an adverse effect of this inadequacy to legal standard, it is these companies that are being inadequate, continue working for other retailers continuing the vicious circle of incessant demand for low and the practice of spurious forms of outsourcing, which continues to rely of precarious forms of work, requiring for this public policy (Sachs, 2008).

## Requirements

The requirements are checked in audits: child labor, forced or compulsory labor, irregular foreign labor, freedom of association, discrimination, abuse and harassment, health and safety, monitoring and reporting, compensation, hours worked, benefits, monitoring of the production chain and the environment.

- Documents relevant to the area of human resources: log book or record sheets; timecard; payslips; proof of address;
- Relevant documents at the the area of Health and Safety: ergonomic reports, electrical, environmental prevention programs and occupational health;
- Documents relevant to the area of the environment: environmental license; licenses to operate with chemicals;
- Request Traceability: retail application; part pilot and technical form; invoices shipping and return merchandise;
- General conditions of business: hygiene, infrastructure and organization.

Unlike Nike retailer is still seeking the implementation of a management system suppliers, as is still in the stage of compliance with audit activities and providing advice to suppliers.

## Final Considerations

The need to adopt sustainable patterns of production is increasing and urgent in social, environmental and economic levels. The old and purely economic standards has no more space in a world already so deflagrated. And these patterns from the perspective of Amato Neto (2011), need to be on participation and investment by companies in actions ranging from protecting and promoting human health to sustainable development plans of the people.

Brazilian fashion retailers have been striving to try to reverse the negative conditions of their supply chain, it can be noted with the creation of this ABVTEX seal. But this should not be the only means of control, and is therefore a need for greater monitoring, guidance and targets that enable the suppliers to adapt the legislation. In addition to a discussion of the pricing and fair payment for services provided by the suppliers and not by incessant search of low.

The company under study, also has a large number of suppliers and subcontracted companies, making it difficult for better monitoring, requiring increased information exchange and partnership between the retailer and its suppliers to allow for a sustainable development.

The requirements established in auditing and monitoring are the basis for a conscious and proper development of social and environmental issues, respecting the law. But there is a need to analyze the economic relationship, as is still the search for low by the buyer, which is also one of the pillars for sustainable development. Therefore, it calls for the development of suppliers so there is a strong and transparent partnership relationship.

The limiting factor to research this current stage stands out by the fact that the achievement of primary data, only have been obtained with a representative of the retailer, delimiting in a one-sided view. Getting suggested for continued research to obtain data with more retailers and



suppliers and the interview with more employees and from various sectors involved in order to get the multilateral vision.

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