The State of Sustainability Research:
Impacts of COVID-19 on Sustainability

July 2020
Objectives & Methodology

U.S. Cotton Trust Protocol embarked on a research initiative to help us understand the impact COVID-19 has had on existing sustainability initiatives today and the future of sustainability efforts among brands, retailers and the supply chain.

An online survey was fielded from June 21-July 5, 2020, among 138 senior executives involved in sustainability decision making at their company. The results that follow are global in nature and represent 138 responses from 8 global markets.

Respondents were recruited using a combination of Sourcing Journal and an industry leading panel partner.
Who We Talked To
Respondents from North America, Europe and Asia are strongly represented in this research and they reflect experiences across a diverse range of textile-based industries.
Sustainability decision-makers

Results represent opinions and perceptions of high-level executives, all of whom are responsible for sustainability decision-making at their brand or retailer.

- 37% Top Management (EVP, SVP, MD)
- 30% Chief Sustainability / CSR / other C-level Officer
- 9% Innovation / Product Development / Design
- 9% Marketing Dept.
- 5% Sustainability / CSR Teams
- 3% Product / Tech Compliance
- 3% Buying / Sourcing Officer
- 5% Other

Involvement in sustainability decision making

- Fully in charge: 41%
- Have involvement in sustainability decisions: 59%
COVID-19 Impacts
COVID-19 has shifted sustainability priorities

Compared to March 2020, sustainability focus shifted from manufacturing and raw materials sourcing to traceability or, for 9% of brands and retailers, a full pause on sustainability initiatives.

What is your company’s main area of focus when it comes to environmental and sustainable initiatives for the next 12-18 months?

- Manufacturing Sustainability: Reducing impacts of chemistries, water and energy (32% in March 2020, 25% in July 2020)
- Raw Materials: Sourcing sustainably-produced materials (29% in March 2020, 25% in July 2020)
- Worker Safety Conditions: Living wage, safety, etc. (15% in March 2020, 11% in July 2020)
- Traceability: Quality/origin assurances (9% in March 2020, 15% in July 2020)
- Green / Sustainable Building Practices: Low-water faucets, LED lighting, etc. (8% in March 2020, 7% in July 2020)
- Other (6% in March 2020, 5% in July 2020)

“Energy”
“All of the above”
“Social Health & Safety”

March 2020  July 2020
Followers and Aspirers are the most affected

In three short months, COVID-19 changed the sustainability outlook for Followers and Aspirers. While some have found new opportunity to become Leaders, the efforts of many are on pause or indefinite hold.

Which of the following best describes your company’s sustainability initiatives for the next 12-18 months?

- Leaders (Set sustainability standards): 40% (March 2020), 45% (July 2020)
- Followers (Follow sustainability standards): 44% (March 2020), 35% (July 2020)
- Aspirers (Do not currently have a sustainability program, but remain committed to developing one): 14% (March 2020), 11% (July 2020)
- Laggards (Do not currently have a sustainability program and do not plan to develop one): 2% (March 2020), 1% (July 2020)
- Paused (Do not currently have a sustainability program, and plans to develop one were paused or put on indefinite hold due to COVID-19): 8% (March 2020, July 2020)

Not Asked: 8% (March 2020, July 2020)
The inconsistent impacts of COVID-19

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‘We are doing what we can with what we have. COVID-19 has changed our business and slashed our development budget in half. We’ll lean on integrating existing supply chain innovations rather than initiating new ones. Working through the messaging and working through transparency and authenticity initiatives to identify opportunities for the future.’

‘As this Covid-19 outbreak has affected our sales target, all our modernization projects are put on hold. These modernization projects cut my emissions and resource [use] by 30-40%’

An increased focus on smaller sustainable advances...rather than entire garments. All poly bags changing to sustainable made and biodegradable, converting the last few paper trims to NFC or recycled paper. Rather than converting entire fabric ranges to sustainable as planned.’

‘Chaos. This one word describes how my organization is acting/reaction to the constantly-changing virus.’

‘Lack of government resources to partner with the private sector on health and sustainability initiatives is a significant impediment.’
The inconsistent impacts of COVID-19

With European sustainability initiatives benefiting from the impacts of COVID-19, market-specific conditions may play a larger role in the future of sustainability than global factors.

“We will continue to go in the direction we were already headed, with even greater enthusiasm. We are a small relatively new company with a supply chain completely built around transparency, I don’t see how a business can have any meaning or relevancy if it is causing harm.’

“Our commitment towards sustainability after Covid-19 remains unchanged and is on the top of our priorities. We believe that it is actually an opportunity for us to drive change and have less impact environmentally and socially.’

“I haven’t seen any significant ‘direct’ impacts of Covid-19 to our sustainability plans. The ‘indirect’ impacts that are yet to come into play are the geopolitical impacts that US-China relations and the Uugur Human Rights policy will have on the sourcing of cotton programs from China.’

“Our company’s brand and values are rooted in sustainability so for us, there’s no deviation from our mission. However, Covid has impacted our wholesale business considerably and with that we’ve had to cut on costs and on workforce. What it means is that we’ll be focusing on fewer projects (narrowing product scopes, market reach, etc.) while maintaining the same commitment to sustainability.’
The inconsistent impacts of COVID-19

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‘Prior to COVID-19 our focus on sustainability was medium- to long-term. However the need to elevate our responsibility to suppliers and customers became crucial as their sentiment to a cleaner healthier lifestyle became a major priority.’

‘Our customer (retailer) is demanding more sustainable products, recycled polyester and eco vero yarns and pollution free textile and we intend to fully cater to the requirement and run with them.’

‘Standards are being respected and further increased, however slowdown in investment means it will take longer on internal projects.’

‘Covid-19, in combination with the civil rights movement in the USA, have shown how critical sustainability efforts are. The company is investing in this, though budgets have been tightened until business picks up. It’s a challenging balancing act. Certain things have suffered -- adding to the sustainability team, less consultant budget. But the work is increasing and the importance to the business is as well.’

‘The company has started to show interest to follow a sustainable path in regards to raw materials. We are now actively following this path and implementing initiatives.’
The future is still innovative and sustainably sourced

Environmental marketing efforts have taken the largest reduction in investment, while commitments to sustainable product innovations, supply-chain sourcing and external partnerships remain high.

To what degree is your organization planning to decrease or increase proactive or future investments (i.e. time, money, other resources) in the following:

- **Increase**
  - Environmental marketing or messaging: 60%
  - Transparency in sustainability reports: 59%
  - Sustainable supply-chain sourcing and partnerships: 63%
  - Internal sustainability initiatives: 61%
  - Sustainable product innovations or R&D: 66%
  - External sustainability collaborations or innovations: 62%
  - External sustainability standards or protocols: 59%

- **No Change**
  - Environmental marketing or messaging: 25%
  - Transparency in sustainability reports: 32%
  - Sustainable supply-chain sourcing and partnerships: 28%
  - Internal sustainability initiatives: 30%
  - Sustainable product innovations or R&D: 23%
  - External sustainability collaborations or innovations: 28%
  - External sustainability standards or protocols: 30%

- **Decrease**
  - Environmental marketing or messaging: 15%
  - Transparency in sustainability reports: 9%
  - Sustainable supply-chain sourcing and partnerships: 9%
  - Internal sustainability initiatives: 9%
  - Sustainable product innovations or R&D: 11%
  - External sustainability collaborations or innovations: 11%
  - External sustainability standards or protocols: 11%
Customers are more engaged than ever

COVID-19 has fueled the growing environmental fire, sustainability decision-makers believe that customers are demanding more and using their wallets to hold companies accountable.

Since the COVID-19 pandemic, how has customer demand changed for environmentally sustainable business practices and goods/services?

- More Demand: 54%
- No Change: 23%
- Less Demand: 22%

How vocal are your customers about their environmental and sustainability concerns since the COVID-19 pandemic?

- More vocal now: 42%
- More vocal before: 28%
- No difference: 30%

If you had to guess, what percentage of your customer base would switch to a competitor if your company did not meet its sustainability goals or commitments?

- 0%
- 48%
- 100%
Customers will demand more information and action

Sustainability decision-makers believe that customers will want to know how their products are environmentally sustainable and trust that brands and retailers will deliver transparent reporting against actions.

From highest to lowest priority, please rank what you believe customers will prioritize when making purchasing decisions over the next 12-18 months.

**Global Top 4 Customer Priorities**

- Getting the best possible deal (59%)
- Brand or retailer alignment with their personal values (54%)
- Environmental sustainability product marketing or messaging (50%)
- Corporate transparency of sustainability practices (46%)

**Global Bottom 3 Customer Priorities**

- Human rights and labor practices marketing or messaging
- Human rights and labor practices
- Brand or retailer support during COVID-19

*Percent ranked in the top 4 priorities*
Market-specific messaging is complex

While all customers want to see and believe sustainability commitments, prioritizing and communicating those efforts may need to be more market-driven than brands and retailers expect.

From highest to lowest priority, please rank what you believe customers will prioritize when making purchasing decisions over the next 12-18 months.

**Top 4 Customer Priorities: North America**
- Brand or retailer alignment with values
- Getting the best possible deal
- Environmental sustainability product marketing or messaging
- Corporate transparency of sustainability practices

**Top 4 Customer Priorities: Europe**
- Getting the best possible deal
- Corporate transparency of sustainability practices
- Environmental sustainability product marketing or messaging
- Human rights & labor practices messaging

**Top 4 Customer Priorities: Asia**
- Environmental sustainability product marketing or messaging
- Getting the best possible deal
- Brand or retailer support during COVID-19
- Corporate transparency of sustainability practices
Actions are in line with customer trends

Brands continue to work towards communicating their efforts and matching those communications with business operations and transparent behaviors

In a few words, what are three actions your company is taking to maintain or grow your sustainability programs right now?

Marketing/messaging/communications (19)
- to consumers/brands/vendors
- our achievements
- our sustainable products

Certification (11)
- B Certification
  - approved suppliers and merchants
  - external and industry

Transparency (9)
- in origin and manufacturing process
- in supply chain
- to N Tier Suppliers