

From below or from above: How to force fashion MNCs to be more sustainable

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ABSTRACT

Multinational companies in the fashion industry operate on a global level. Fashion was one of the first industries that outsourced production to developing countries and allowed exploitation and environmental pollution to remain hidden. But concerns regarding the industry's (un)sustainability are rising, regarding both the environmental and the social aspects. Fashion consumption is on the rise and the industry is among the most polluting ones. With this paper, I join the debate on how to force fashion MNCs to operate sustainably. There are two opposing views on where change should come: from above (regulation) or from below (change in customer habits and the activity of sustainable fashion NGOs). According to one view, fashion is underregulated and only legislation can be a solution: MNCs will only operate sustainably if they are forced by law. The other group claims that customers should drive green initiatives as their demand catalyzes MNC production. I claim that neither side is enough, as sustainability is not necessarily the number one consideration for customers or policymakers. In this conceptual paper, I use document analysis as a qualitative approach, and descriptive statistics to support my position.

KEYWORDS

fashion industry, outsourcing, sustainability, regulation, non-governmental organizations, consumption

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1. INTRODUCTION

The fashion industry is repeatedly among the most polluting industries and experts are calling for a fundamental change. This is followed by a growing awareness towards the sustainability issues in fashion among international organizations, non-governmental organizations, the press, customers, policymakers, and representatives of governments. The fashion industry is also among the most globalized ones, and its environmental and social impact is meaningful, however, there is no consensus about its exact magnitude. There is a growing concentration among the biggest multinational companies (MNCs) and the so-called ‘super-winners’ are gaining bigger and bigger market share. In this conceptual paper, I examine the uncertainties and issues around sustainability in the fashion industry. Furthermore, I present the determining qualities of fashion industry MNCs and its global value chain (GVC) to discover the relationship between sustainability and fashion MNCs. Power is crucial in terms of understanding patterns and dynamics. The need for sustainability can be treated as a collective approach to power and governance in GVCs (Dallas et al. 2017) that is catalyzed by lead firms through explicit and formal industrial standards and certifications, best practices and norms, and governments through the forms of various levels of state action and authority, multistakeholder associations and consumer and social movements. I argue that neither governmental regulation nor customer demand would be enough to push the fashion industry towards a more sustainable path and more sustainable operations. I claim that the most effective source of change is the MNCs themselves. The paper, using mostly qualitative research methods like document analysis, is supplemented with descriptive statistics and structured as follows. First, I describe the main characteristics of the fashion industry’s MNCs and the garment value chains in Section 2. Then (Section 3), I present the most crucial issues around the fashion industry’s (un)sustainability that show the urgent need to be more sustainable. After that (Section 4), I examine the current regulatory climate around the fashion industry and the customer demand for a more sustainable industry (Section 5). Then I argue why the industry’s MNCs would be the best origin of the change in Section 6. Finally, in Section 7, I sum up the findings and discuss research limitations and further directions. This paper is connected to the meta-debate around the source of sustainability and the emerging literature related to responsible global value chains.

2. CHARACTERISTICS OF THE FASHION GVCS AND MNCS

2.1. GVCs and fashion GVCs

GVC theory was introduced in the 2000s, where chain design is at the focus as the different stages of the production process are located across different countries. The theory examines where value is captured within the processes. It was followed by the concept of global production networks that has embedded social and political contestations. According to the United Nations Conference on Trade and Development (UNCTAD), GVCs could account for as much as 80% of global trade and are organized in complex webs of intra-firm and inter-firm trade under the governance of large transnational corporations (UNCTAD 2013). GVCs are also big employers: according to the International Labor Organization one in five jobs in the global economy are in GVCs now, as the number of people employed in GVCs has increased from 296 to 453 million between 1995 and 2013 (ILO 2015). While providing participation in global production



networks, employment, and opportunities for the least developed economies, GVCs have also locked several economies into providing low-cost processes within the value chains. It has caused serious environmental destruction, like water, air, and soil pollution besides waste generation, and social backlashes in the forms of human and labor rights violation as well. This has raised the importance of responsible management and governance of the global value chains. This way, the latest ‘generation’ of GVC studies on responsible GVCs has been exploring sustainability issues in GVCs and examines wealth distribution, environmental and labor conditions.

The fashion industry – the business of making clothes – covers several sub-segments and stakeholder groups, like the textile, apparel or garment, fur, leather, and shoe industry, from design through manufacturing to retail and consumption (Steele 2022). One of the most ‘visible’ is the garment industry, which is responsible for the making of garments as press and fashion shows also cover the latest trends and the work of fashion designers regularly. The garment industry is “the most globalized industry of all” (Bonacich 2000: 9). The garment industry is also a great illustrative case for the changing patterns of international trade, “where explosive growth of imports in developed countries indicates that the center of gravity for the production and export of newly industrializing economies in the Third World” (Gereffi 2018: 72). This way, US manufacturers go to Mexico and the Caribbean Basin, Europeans look to North-Africa and Eastern Europe, and Japan and the East Asian newly industrializing economies look to lower-wage regions in Asia (Gereffi 2018: 73). Semi-periphery countries in the global value chains – like Central-Eastern European countries – are typically specialized in export sectors and their value-chain specializations are determined by their position in the regional production networks (Gerócs 2022: 160). While Italy, Germany and France enjoy a prominent position in the EU textile ecosystem, main EU companies often locate certain production in Central and Eastern European EU member states, where they are specialize in more labor-intensive processes (European Commission 2021a). The fashion segment of the industry is the most actively committed to global sourcing (Gereffi 1994: 96). 60% of the textile products, consumed in the EU are imported from third countries (European Commission 2021b). Countries and firms, engaged in the global fashion value chains are dealing with different sustainability-related issues, regarding their position. The CEE region is in focus as currently we can see a partial reorganization within the fashion value chains: the fashion industry’s lead firms are broadly rethinking their sourcing strategy. As labor costs converge, relocation of manufacturing from Asia seems to be a viable road after decades of outsourcing, to ensure better reaction to demand and adoption of circular and sustainable practices (Andersson et al. 2018).

The garment industry is an example of buyer-driven commodity chains: large retailers, brand-named merchandisers and trading companies are leading decentralized production networks in a variety of unparalleled diversity of exporting countries, and they typically do not own factories. In the buyer-driven supply chains, the physical production of goods is separated from the design and marketing, and retailers and marketers have the most power. The value - and profit - comes from combinations of high-value research, design, sales, marketing and financial services (Gereffi 2014). But as Molnár (2021) highlights, the relevance of customers, certain processing firms, and external stakeholders like civil society and auditioning firms. Constant change cannot be neglected either.

It is not a general practice for fashion MNCs to publish who their suppliers are. According to Fashion Revolution, 48% of major brands now publish a list of their first-tier manufacturers



(Fashion Revolution 2022). It is common for major fashion brands that their products are made in 500–1,000 or even more facilities. For example, German retailer C&A lists 1,671 Tier 1–3¹ facilities (C&A 2022), Adidas Group published a list of 443 facilities about their primary suppliers² and subcontractors (Adidas 2022), and ASOS published 849 facilities (ASOS 2021). PVH Group (which owns the Calvin Klein brand) disclosed 644 companies among their suppliers who are responsible for the assembly, production and finishing of their materials (PVH Group 2022). H&M Group works together with 1,519 Tier 1³ factories in Europe, Asia and Africa (H&M 2022). Counting suppliers for the H&M Group further down the chain can represent a significantly higher number.

2.2. Growth in the fashion industry and its ‘super-winners’

The fashion industry is considered to be a growing industry – both in revenue and world export. With a focus on the European Union, the textile ecosystem⁴ generated a turnover of about 205 billion EUR and a production value of 198 billion EUR, which grew respectively by 4% and 5% between 2015 and 2018. The value added to the ecosystem (59.5 billion EUR) registered a 10% growth rate in the same period (EC 2021a). As Fig. 1 shows, the revenue of the clothing sector is slowly, but steadily growing, except for the fall in 2020. That was caused by the COVID-19 pandemic as several industry stakeholders were forced to shut down their brick-and-mortar stores due to national lockdowns and restrictions. Figure 2 shows the size of world apparel exports, where the backlash of 2020 was also caused by the pandemic.

The steady growth of the fashion industry is also paired with a growing concentration of leading firms, the so-called ‘super-winners’. Gereffi (1994) had already observed the growing concentration of larger US firms and a more oligopolistic structure of the industry in the 1960–the 70s. McKinsey & Company introduced the McKinsey Global Fashion Index (MGFI) in 2017 to cover and to have a better understanding of the performance in the global fashion industry. According to the MGFI, fashion is a ‘winner takes it all’ industry: here, a subset of companies accounts for most of the economic profit. That is also called a fashion oligopoly: the top 20 companies in the industry accounted for 97 percent of economic profit in 2019, compared with 70 percent in 2010 (McKinsey & Company 2019). The even smaller group of ‘super-winners’ was also supported by the findings of the latest edition of MGFI. While new

¹Tier 1 (first-tier) factories refer to cut & sew production units at C&A, Tier 2 to printing & embroidery units, laundries, dye houses and fabric mills and Tier 3 suppliers are spinning mills.

²Primary suppliers for Adidas are those factories where the company holds a direct contractual sourcing relationship for the supply of products, whether for export or domestic market consumption and subcontractors refer to factories that have been subcontracted by Adidas Group’s primary suppliers.

³H&M Group uses a different categorization of suppliers. Tier 1 are the companies H&M Group does business with directly and work on product manufacture or processing. Companies working with component production and processing tend to fall into Tiers 2 to 4 and Tiers 4 to 6 refer to raw material production.

⁴According to the European Commission’s classification, the textile ecosystem encompasses several interlinked activities that produce a wide variety of final products, including the transformation of natural, man-made synthetic and artificial fibers into yarns and fabrics, home textiles, industrial filters, technical textiles, carpets and clothing. The ecosystem also includes the production of leather and fur, leather goods and footwear. The fashion industry, meanwhile, is the main outlet for textile products. It comprises the manufacturing of intermediate goods and fashion goods, as well as the distribution of these products to the markets operated by wholesalers, agents, and retailers (EC 2021a).



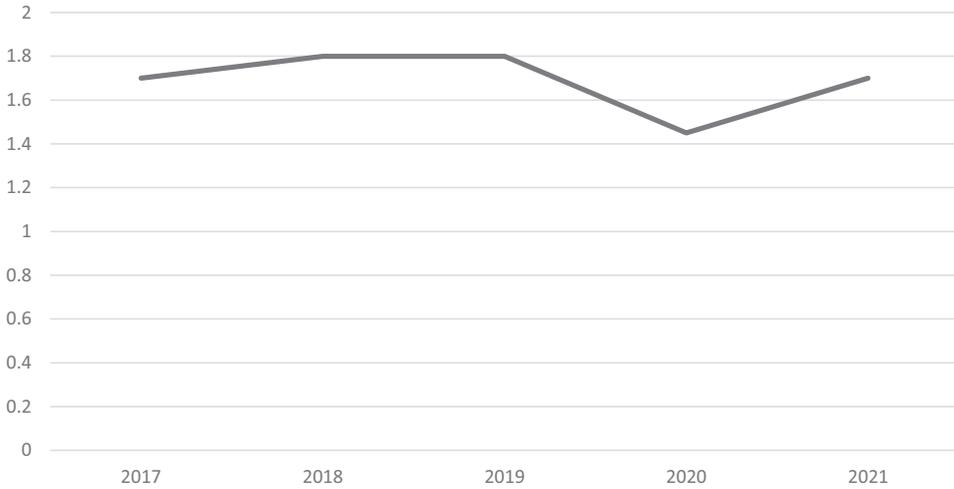


Fig. 1. The revenue of the clothing industry in trillion USD between 2017 and 2021
 Source: author, based on data from Euromonitor.

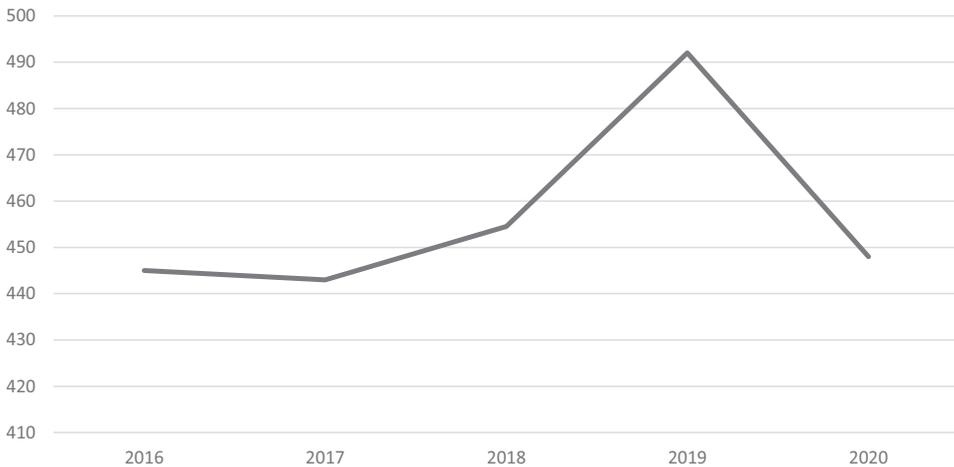


Fig. 2. The size of world apparel trade in billion USD, between 2016 and 2020
 Source: author, based on data from the World Trade Organization.

entrants were introduced, most of the ‘super-winners’ have maintained their leading status within the industry (McKinsey & Company 2022). Figure 3 shows the top 20 companies, based on their economic profit (in million USD). As patterns on the figure show, the companies are concentrated in only a few headquarter countries, with a heavy concentration in the European Union and the United States of America: seven out of 20 is in the EU (spotted - 35%), 6 in the USA (black - 30%), 3 in the UK (wavy - 15%) and 3 in Asia (striped - 2 in China, 10%, and 1 in Japan, 5%). Furthermore, Lululemon based in Canada (checked - 5%).



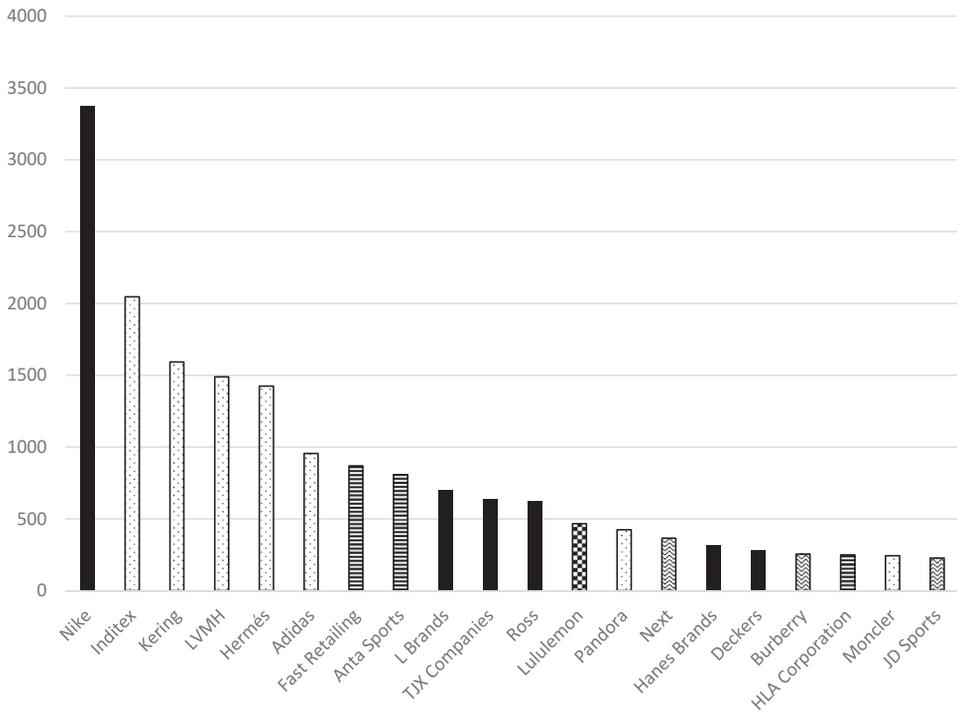


Fig. 3. The Top 20 fashion players, based on financial years 2019 and 2020, economic profit in million USD

Source: author, based on data from McKinsey & Company (2022)

3. ISSUES AROUND THE FASHION INDUSTRY’S SUSTAINABILITY

3.1. The connection between fashion GVCs and sustainability

Indvik (2020) emphasizes that while the marketing of the fashion industry “may be ultra-green but the reality is very different”. The author claims that any progress towards sustainability or a more environmentally friendly operation is outweighed by the rapid growth of the sector.

Through the international division of capital, global companies – using the low salaries in low-cost countries – in an increasingly borderless world have been able to use wage differences for driving competitive advantages. “The global system of garment design, production, retail consumption and wear are connected by invisible threads where the fashion commodity chain is a series of discrete and distant places each with their own specific economic and social geographies while there is a social and economic distance between the employer and employee” (Crewe 2017: 38). That is also true for customers: they are not aware of where their garments are coming from. The fashion industry is repeatedly considered to be one of the most polluting ones (Mishra et al. 2021). From the sustainability point of view, the highly globalized nature of fashion’s value chains, and the outsourced production can also serve the concealment



of environmental pollution and human and labor rights violations. This way, fashion brands also escape from direct responsibility.

3.2. Definitional problems of sustainable fashion

Lately, sustainability in the fashion industry has raised the interest of startups, well-established multinational firms within the industry, policymakers, NGOs and consumers as well. The impact of the fashion industry on the environment and society across stages of production and consumption is widely discussed in the scholarly literature (see for example [Hill – Lee 2012](#); [McNeill – Venter 2019](#); [Anguelov 2016](#); [Niinimäki et al. 2020](#); [Peleg Mizrahi – Tal 2022](#)). Besides ‘being a buzzword’, sustainable fashion does not have a clear, consequent definition. Sustainable fashion in social sciences is often used as an alternative to fast fashion ([Clark 2008](#)), and not used as a factual concept as discourses are often led by different characteristics, processes and ideologies ([Kozłowski et al. 2018](#)). Furthermore, the terms ethical fashion and clothing, sustainable, slow, eco, ethical and environmentally sustainable fashion are used interchangeably and for different purposes in the literature for describing what and how is consumed ([Busalim et al. 2022: 1805](#)). Sustainable fashion is rather an amorphous category and there is remarkable variability across the fashion industry itself, how people, working in the industry define and operationalize sustainability through a different understanding of sustainable fashion ([Thomas 2019](#)).

3.3. Sustainability (and mistrust) issues around fashion

The most discussed and known sustainability issues of the fashion industry are waste generation, carbon emissions, water consumption and pollution, and environmental and microplastic pollution ([McFall-Johnsen 2020](#)). Fashion is also reportedly connected to forced labor ([Walk Free Foundation 2018](#)). [Crewe \(2017\)](#) partly explains the violation of human and labor rights with the physical distance, described above. The fashion industry also suffers from a heavy reliance on fossil fuels, both regarding energy consumption in production and as raw material for synthetic-based textiles that are widely used ([Changing Markets Foundation 2021](#)). Sustainability within the fashion industry is a rather complex concept, with interlinked environmental and social aspects in every link of the chain from manufacturing to utilization ([Kokas Palicska 2021](#)). While water and pesticide use in natural raw material networks are examined within environmental sciences, the fashion industry also faces serious problems with overproduction and overconsumption. Only roughly 25% of textile waste is collected in the EU, though large differences between member states exist. Even if it is collected, recycling is a question as there is limited knowledge of the feasibility of recycling several fibers in mixtures, also from an economic and environmental point of view. Recycling also faces challenges like the unavailability of advanced technologies and the lack of a business case for economic operators ([EC 2021b](#)). While there are environmental and social issues as well connected to the sustainability of the fashion industry, I claim that none of these should be over-, or under-discussed. The European Commission has also noted that many initiatives toward the circular economy only scratch the surface of environmental sustainability ([EC 2021a](#)). Sustainable fashion is also challenged by biased commitments in MNC-level action and communication. As a report ([McKinsey & Company – Global Fashion Agenda 2020](#)) stated: MNCs’ commitments and progress are lagging behind the needed trajectory of greenhouse gas emission reduction, and the carbon emission is



generated elsewhere in the value chain than where fashion MNCs are taking action. Certain materials, like cotton, are suffering from misinformation campaigns: it is repeatedly stated in the press articles that ‘cotton consumes a quarter of all pesticides’ and ‘a single T-shirt requires 20,000 L of water to make’ (Cline – Lanfranchi 2021). Cline and Lanfranchi (2021) explored the widespread misinformation and false claims around the material and emphasized, that repeated false statements can be shared by credible NGOs, international organizations, governments and reputable media outlets as well. These often generalize different production countries’ and facilities’ water needs and can motivate customers to purchase different materials.

World-leading consultancies and even sustainability rating systems are using dubious statistics and outdated, biased reports about the fashion industry and certain materials’ carbon emissions and water pollution (Indvik 2020; Tabuchi 2022).

Implementing and serving the growing interest in sustainability and sustainable fashion products, fashion MNCs are using certain catchwords, regarding greener claims and emphasizing misleadingly certain materials. As Kutasi (2022) claims, eucalyptus and bamboo are two examples: retailers are using these words as material content erratically as the current, artificial production does not carry the emphasized, beneficial characteristics that are associated (and communicated) with those materials. Kutasi also points out that green movements have misleadingly labeled viscose materials as sustainable, as their production generates a significant number of chemical processes.

Besides plans, no one from the fashion industry has figured out how to credibly align climate goals with the industry’s current business model as ‘the elephants in the room’, overproduction and overconsumption have not been solved. Despite numerous commitments towards being more sustainable, even the best materials cannot counteract the current production volume (Hirji 2022).

4. FROM ABOVE: THE LEGISLATIVE CLIMATE

The fashion industry is notoriously underregulated (United Nations 2022), and while its sustainability issues and problems have raised the interest of numerous governments, major bodies and international organizations, only relatively a few regulations currently target the industry’s practices (Suraci 2021). This way, there is a place for institutional power. As Dallas et al. (2017) have described that form of collective and direct power, states can regulate the conduct of all actors and apply institutional power. We can differentiate three levels of sustainability policies: firm-, multistakeholder-, and governmental-level policies. The latter two fit into the category of institutional power, described by Dallas et al. (2017). Even governments target different issues around the unsustainability of fashion and rather focus on the reduction of greenwashing as part of consumer protection, the promotion of due diligence in supply chains, incentives for the circular economy, extended producer responsibility, as well as selective waste collection (Dobos – Éltető 2022). The existence of governmental-level policies towards sustainable fashion does not mean a guarantee: it also raises the issues of the lack of enforcement, lack of human and institutional resources, lack of sanctions and the spill-over effect. MNCs can also replace their manufacturing activities in countries with more permissive regulation, avoiding an imperative regulation climate.



As Dallas et al. (2017) have noted, it is not likely that actors can exist in harmony. Namely, in most cases, there is a substantial and even debilitating contention within any collective action, conflicts and powerful lead firms can jockey for the inclusion of favorable terms (Dallas et al. 2017). Before its acceptance in Germany, industry-wide and employer associations and the local chamber of commerce and the industry itself have successfully lobbied for the limitation of the personal and material scope of the German supply chain law (Dobos 2021). Lobbying for sustainable fashion regulation can also be two-sided for MNCs: fashion brands that are in an advanced place and enjoy a distinction in the market can lose from their competitive edge if more and more fashion brands fall under the compliance of sustainable regulation.

In Table 1, I have summarized the current governmental, federal (the United States of America) and supranational (European Union) legislation towards sustainability in the fashion industry, by name, country, date, target and type of legislation and the targeted pillar of sustainability to give an overview.

As Table 1 shows, the majority of the current proposals or legislations are based in the European Union and the USA, in line with where the headquarters of the fashion MNCs with the highest economic profit are placed (Fig. 4). But it contradicts the fact that most of the production takes place in Asia (ILO 2022) which is still lagging behind regarding regulation on sustainability (Asia-Europe Environment Forum, 2020). For a detailed analysis of the regulatory framework, see Dobos and Éltető (2022).

5. FROM BELOW: CHANGING CUSTOMER HABITS, VIA NGOS

5.1. Who are the sustainable customers?

Constitutive power is based on broadly accepted norms, conventions, expectations and best practices and can be manifested when collective arenas do not exhibit clear or formal interest. This type of power can be leveraged by social and consumer movements (Dallas et al. 2017). We can assume that consumer movements are actively shaping how the industry is organized. Customers can play a critical role in defining the market as they are “now better informed and can take into account noneconomic considerations as ethical and social responsibility and environmental impact in their purchasing decisions” (Yeung – Coe 2015: 38). Formerly, fashion – because of its consumption-stimulating nature and constant drive of production over necessity – was called “the favorite child of capitalism” by sociologist Werner Sombart in 1902 (Leslie 2018: 7). However, the current international movement towards sustainable consumption is the outcome of a realization that the “patterns and levels of contemporary consumption are not ecologically feasible” (Lim 2017: 69). Sustainable and conscious consumption is mostly associated with the LOHAS (Lifestyle of Health and Sustainability) demographic group in marketing studies. It is not clear what is the significance of fashion and dressing among the members of the group besides other sustainable and green living options. Consumers are repeatedly interested in buying sustainable fashion products and they are willing to pay more for consciously made, ethically produced items (Ciasullo et al. 2017). This can be achieved by a firm’s eco-branding in which the company seeks to differentiate itself from its competitors by offering eco-friendly products and services (Orsato 2009). A report by the German online retailer of shoes, fashion and beauty products, Zalando (Heiny – Schneider 2021) turned the



Table 1. Current legislation towards the fashion industry's sustainability

| Name of legislation | Country/ State/Union | Date | Target | Type of legislation | Targeted pillar of sustainability |
|--|-------------------------|-------------------------------------|--|-----------------------------------|--|
| Consumer law (Green Claims Code was introduced for helping compliance) | United Kingdom | 1 January 2022 (effect) | greenwashing | command and control | – (no environmental, social, or economic dimension) |
| Guidelines for Sustainability Claims | The Netherlands | 1 January 2021 | greenwashing | command and control | – |
| Denim Deal | The Netherlands | 2022 | circular economy | incentive | environmental |
| Climate and Resilience Law, Anti-Waste Law for a Circular Economy | France | 1 January 2022 (effect) | anti-waste and circular economy, extended producer responsibility, requires producers, importers, and distributors to reuse, redistribute or recycle their unsold inventory, and prohibits the destruction | command and control | environmental |
| Supply Chain Act | Germany | 1 January 2023 (effect) | supply chain due diligence | command and control | environmental, social |
| Directive on Corporate Sustainability Due Diligence | European Union | 2022 (proposed) | due diligence | command and control | environmental, social |
| Waste Framework Directive | European Union | 2025 | post-consumer textile waste collection | command and control | environmental |
| Strategy for Sustainable and Circular Textiles | European Union | March 2022 (Commission adoption) | eco-design requirements, digital product passport, prohibition of the destruction of unsold goods, extended producer responsibility, reduction of microplastic pollution, textile waste management | incentive and command and control | environmental |

(continued)

Table 1. Continued

| Name of legislation | Country/ State/Union | Date | Target | Type of legislation | Targeted pillar of sustainability |
|---|------------------------------------|---|--|---------------------------------|--------------------------------------|
| Uyghur Forced Labor Prevention Act | United States of America (federal) | 21 June 2022 (effect) | Uyghur forced labor prevention | command and control | social |
| Garment Worker Protection Act (SB62) | California State (USA) | August 2021 (passed by State Legislature) | garment worker protection, due diligence | command and control | social |
| Fashion Sustainability and Social Accountability Act (Fashion Act) | New York State (USA) | January 2022 (proposed) | corporate sustainability and accountability; requirement to map at least 50 percent of their supply chains, disclose impacts such as greenhouse gas emissions, water footprint, and chemical use | command and control | environmental, social |
| Fashioning Accountability and Building Real Institutional Change (FABRIC Act) | United States of America (federal) | May 2022 (proposed) | establishment of a nationwide garment industry registry, brand liability, workers' rights, reshoring manufacturing | incentive & command and control | social |
| Prohibition of products made by forced labor | European Union | September 2022 (proposed) | prohibition of products made with forced labor | command and control | social |

Source: author.



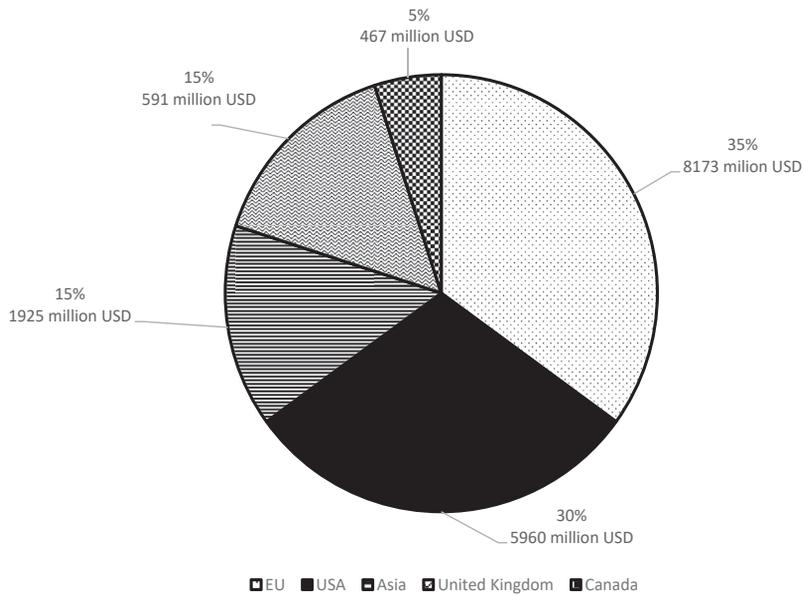


Fig. 4. Superwinners by headquarters and economic profits combined
 Source: author, based on data by McKinsey & Company (2022).

light on the behavior-attitude gap: intention and actual purchase action are two different things when it comes to sustainable fashion. Another considerable point regarding sustainable fashion is its complexity and what actual trigger points for customers are. Sierra (2022) highlights short-term benefits like ‘feeling good’, price and accessibility, and the push of marketing campaigns. Many factors affect more our purchasing decision than the long-term commitment, personal responsibility for sustainability and the psychological distance between fashion and climate change. Busalim et al. (2022) have pointed out the lack of qualitative research using big data, experimental, cross-cultural and longitudinal studies, besides the lack of adequate ground in theory related to sustainable fashion consumption. While the existing literature emphasizes values-led consumerism, value- and attitude-based frameworks do not fully explain what makes consumers hesitate in transforming their pro-sustainability attitude toward sustainable fashion products into actual purchase behavior (Busalim et al. 2022, quoting Park – Lin 2020). Niinimäki (2010) showed that consumers’ purchasing decisions are not rational and not always connected to their values. While consumer attitude and behavior research are mainly focusing on quantitative methods (surveys) and typically cross-sectional samples from one country (Busalim et al. 2022: 1823) and behavior through the lens of environmental sustainability, no research examines non-consumption.

5.2. How can NGOs shape sustainable consumption?

However, while it is unclear how big the ethical, conscious, sustainable consumption movement is, different NGOs, dedicated to sustainable fashion, are playing an important role in framing



and emphasizing the issues of sustainable fashion. Tools of NGOs, like boycotting and buycotting,⁵ naming and shaming,⁶ slacktivism and clicktivism⁷ can shape customers' attitudes and behavior towards (sustainable) fashion. However, their tools, resources and interests vary, and we cannot say that the power and reach of different campaigns are in line with the significance of the different issues around the fashion industry's sustainability. It was formerly observed that it is still unclear how much human rights controversies impact sales as it is told that consumers only really care about animal abuse (Indvik 2021). The use of animal-based materials in fashion, such as wool, silk, leather and fur is often the subject of negative animal rights campaigns. This view is also supported by Lee et al. (2019), who found that the sales of fashion leather, fur, and wool products can be negatively impacted by campaigns of animal rights advocates. The importance of fashion varies among different cultures, countries, age groups and communities. However, I assume that the most sustainable fashion customer is not interested in fashion at all. While there is a growing number of materials, labeled eco-friendly, conscious or green, the key is longevity and rather the extended use of one product.

5.3. Customers versus consumers

The marketing literature makes a difference between customer and consumer: they can be the same but different as well. The customer is the person who is making the purchase and the consumer is the person who uses the product. It is also debated and discussed how big the role of the consumers is, not just in actual purchasing decisions, but rather how they use and how long they use their fashion items as different habits in washing, cleaning, repairing, storing and ironing can be associated with a wide variation in the footprint of the actual products. McKinsey & Company – Global Fashion Agenda (2020) estimates that 23% of the apparel and shoes value chains' GHG emissions comes from the products' usage⁸ and end-of-use. Many life-cycle assessment (LCA) studies have been conducted to analyze clothing's environmental impacts; however, the majority of the studies focus on either just one or a few stages of the product life cycle, and/or on a specific type of product. In the use stage, the impact of washing temperatures is the most examined (Munasinghe et al. 2021). However, it is important to know in which stages of the life cycle are the highest impact of a fashion product. I claim that if the significance of the customers' role is overrepresented and/or overcommunicated, it can undermine MNCs' and/or governments' efforts towards an effective regulation of sustainable fashion and can serve as a counterargument.

⁵Boycott and buycott are parts of political consumerism, where boycotting is punishing business for unfavorable behavior and buycotting is rewarding a business for favorable behavior.

⁶Naming and shaming is the practice of publicly saying that someone (person, group, business or even government) did something wrong with the aim of discouraging popular opinion against them and pushing for improvement.

⁷Slacktivism and clicktivism are parts of online activism and campaigning: slacktivism (that comes from slack + activism) and clicktivism (click + activism) are practices of NGOs through online campaigning to build a supporter group. These are supporting a political or social cause by means such as social media or online petitions, characterized as involving very little effort or commitment.

⁸Usage covers washing, drying, dry-cleaning, and ironing, while end-of-use (or end-of-life) covers reuse, recycling, incineration and landfilling.



6. A SELF-REGULATING INDUSTRY?

Gereffi has previously stated that commodity chains are primarily controlled by private economic agents and also influenced by state policies in both producing (exporting) and consuming (importing) countries (1994: 95). I argue that state policies can significantly shape fashion MNCs towards more sustainable operation. While I have discussed in the previous section that many policy incentives target the fashion industry, I dispute their effectiveness. Gibbon et al. (2008) claimed that lead firms are the core actors in a segmented system of global governance that refers to the content and management of decisions across all (sub-)suppliers, and how outcomes are monitored and reacted to. This is crucially important, due to the concentration of leading firms within the fashion industry, introduced in section 2.2. Coe and Yeung also emphasized the importance of firms besides institutions that can actively shape the economic-geographic landscapes and exercise causal power (Coe – Yeung 2019). While the authors emphasize that lead firms have a crucial role in the analysis of GPNs, the ownership mode, nationality, corporate culture and strategic disposition are considerable variations. Partly connected to corporate culture, I would add engagement in sustainability as a further variable. As the growth of the industry outweighs its progress towards sustainability (Indvik 2020), the needed, alternative business models (circular, degrowth, and decoupling) should be the choice of the MNCs and they can monitor and measure their supply chain and their operation's impact. Lead firms are shaping the development of GVCs and governing the flow of products and knowledge and imposing standards in their industries (De Marchi et al., 2013). The authors stated that firms, through governance, can benefit from environmental upgrading, which is described as the process by which economic actors move towards a production system that avoids or reduces the environmental damage from their products, processes, or managerial systems (De Marchi et al., 2013: 65). From the viewpoint of fashion workers, social upgrading, as the process of improvement in the rights and entitlements of workers (Rossi 2011) highlights the role of MNCs, as foreign buyers like them influence employment decisions and the quality of employment through codes of conduct and a private system of monitoring and auditing (Barrientos et al. 2011: 323). This way, the social issues can be theoretically solved by them. Despite the growing number of sustainability initiatives from brands, firm-based, voluntary commitments or codes of conduct have created little accountability and have mostly failed to drive transformative change within the fashion industry (Deeley 2021). This statement was also supported by many findings: Barret et al. (2018) pointed out the deficiency of the corporate code of conduct and stated that these are not efficient because fashion suppliers also outsource (parts of) their orders informally. This way, the actual manufacturing facility of the products does not meet the corporate code of conduct introduced by the brand and applicable only for the formal suppliers. Furthermore, Edwards et al. (2019) also claimed that besides fashion production, the wage policy for fashion workers is also outsourced to third-party entities. Fashion MNCs can escape from direct responsibility this way.

Meanwhile, fashion companies demonstrating high levels of business model innovation are more likely to be proactive on the sustainability agenda, and underlying values in the organization are shaping the organizational ability to successfully change both business models and sustainability (Pedersen et al. 2018: 279).

There is an undeniable place for degrowth and fashion companies' desired strategies. While there is currently no reliable data on overproduction, fashion waste campaigner Liz



Ricketts estimates that “a lot of brands overproduce by up to 40 percent” (Besser 2021). American fashion brand Ralph Lauren has announced “financial growth through degrowth of resources”: while the fashion press declared the step degrowth in practice, “the brand could decouple production from profits so that even as the company made less stuff, it was able to make money — largely by maximizing its understanding of sell-through. It ended up with less wasted product that had to be downstreamed to outlet stores” (Friedman 2021). It is partly in line with the definition of degrowth, introduced by Hickel (2021), as degrowth is a planned reduction of energy and resource throughput designed to bring the economy back into balance with the living world in a way that reduces inequality and improves human well-being. It is not about reducing GDP, but rather about reducing throughput.

Corporate sustainability reporting has marketing dimensions and became a tool for sustainability marketing. However, those reports often deliver only positive information, and not every statement is sufficiently backed by reliable data. Zsóka and Vajkai (2018) concludes that it is difficult to establish just how comparable and transparent the reports are, as well as to decide whether they truly reflect the sustainability performance of the reporting companies.

Although companies with higher capitalization are considered more likely to be socially responsible (Varenova et al. 2020), small and medium-sized fashion brands performed better than bigger companies regarding environmental justice, governance, traceability, raw materials, commercial practices and wages and wellbeing (Remake 2021).⁹ Another important finding of Remake (2021) is that the biggest fashion companies have now set science-based targets, but they are dangerously behind in meeting them and they are using buzzwords like sustainable fiber, worker empowerment, transparency, circularity, and take-back initiatives, covering up limited progress on living wages, social protections, overproduction and fashion’s staggering waste problem.

It is undeniable that society (consumer interest and values), the governments and the MNCs, like economic agents, are influencing each other back and forth. I state that MNCs would be the most powerful actors of change, simply because of their definable number. However, it is challenging to move towards different business models and reformed operations, but they would act towards sustainability if it were their interest – both from the side of governmental financial incentives or command and control policy or customer demand.

7. CONCLUSIONS, RESEARCH LIMITATIONS AND FURTHER RESEARCH DIRECTIONS

There is a growing discussion about sustainability issues within the fashion industry and a call for urgent change towards more sustainable operations. Sustainability within the fashion industry has several limits: the opaque supply chain with unofficial subcontractors is currently the hotbed for human and labor rights violation besides environmental pollution. Besides that, unmeasured carbon emissions and pollution through the whole supply chain of fashion, overproduction and overconsumption are also challenges. There is also a growing intention from

⁹Remake (2021) has evaluated 60 fashion companies in their 2021 Remake Fashion Accountability Report where SMEs are defined as companies with \$250 million or less in net revenue annually.



governments to regulate the fashion industry's practices and customers are also becoming more and more aware of sustainability issues, related to their garments. However, I argue that an effective change can come from neither the side of governments nor customers. I claim that these categories of institutional and constitutive power cannot effectively shape the fashion industry's operation towards a more sustainable path. While customer demand and values can shape the supply of the fashion MNCs, I cannot state that sustainability and especially sustainable fashion is the number one priority for a critical mass of consumers. It is rather important for a certain customer group and represents a growing, but niche market. Consumption, even if it targets more sustainable products, also contradicts the need for non-consumption. The regulation of the fashion industry is not an urgent matter on the agenda for governments, however, there are existing legislations and proposals, dedicated to a more sustainable fashion. While these are covering different aspects of sustainability and targeting certain problems, the regulation also has disadvantages, in the form of corruption, the spillover effect or lack of human and institutional capacities. While regulations have been introduced in the United States of America and the European Union – where the economically most significant MNCs of the fashion industry are headquartered – the majority of the production takes place elsewhere, mostly in Asia. The opaque, non-transparent supply chain of fashion MNCs, related to manufacturing, is also making the enforcement of legislation challenging. I claim that the most effective source of change are the fashion MNCs themselves: the transformation towards more sustainable operation would benefit from the oligopolistic structure of the industry as 20 company generates 97% of the industry's revenues. Besides that, legislatives boost, specifically related to supply chains transparency, can be effective as the the leading MNCs are mainly concentrated in Europe and the USA.

The research has faced several limitations. First, as there is no available, reliable data on the environmental and social impact of fashion, the debate can remain theoretical. Misinformation and misleading statements, besides definitional problems, and the lack of extensive research on customer intentions also cause challenges. As a significant part of the described legislations are still proposals or came into force recently, we do not have a clear picture of their impact.

The research has raised several potential further research directions as well. First, results and cases for a truly effective green transformation from different industries can serve as best practices for sustainability policies. Second, a deeper understanding and a clear picture of customers' reception towards the different sustainability-related issues in the fashion industry would be helpful. This is in line with Coe and Yeung's note that there is a lack of research on the consumptive dynamics of the configuration and operation of GPNS (Coe – Yeung 2019). Third, as the semi-periphery economies and the role of CEE countries are mentioned, it is worth examining (a) what regulated, environmentally and socially more sustainable lead firms within the fashion industry can offer from the region and/or (b) as we assume that relocation can be a more general approach in manufacturing decisions, how could the region even contribute to a more sustainable, global fashion industry?

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