

## FUNDING & FINANCE FOR ETHICAL FASHION BUSINESSES: CASE STUDIES

# JOHN LEWIS



In conjunction with the supermarket Waitrose, and Green Bee (a direct services company) John Lewis formed a partnership that gives all 69,000 permanent staff standing as partners within the company.

### What are the goals of John Lewis's cooperative model?

#### 1. Purpose

The Partnership's ultimate purpose is the happiness of all its members, through their worthwhile and satisfying employment in a successful business. Because the Partnership is owned in trust for its members, they share the responsibilities of ownership as well as its rewards – profit, knowledge and power.

#### 2. Power

Power in the Partnership is shared between three governing authorities, the Partnership Council, the Partnership Board and the Chairman.

#### 3. Profit

The Partnership aims to make sufficient profit from its trading operations to sustain its commercial vitality, to finance its continued development, to distribute a share of those profits each year to its members, and to enable it to undertake other activities consistent with its ultimate purpose.

#### 4. Members

The Partnership aims to employ and retain as its members people of ability and integrity who are committed to working together and to supporting its Principles. Relationships are based on mutual respect and courtesy, with as much equality between its members as differences of responsibility permit. The Partnership aims to recognise their individual contributions and reward them fairly.

#### 5. Customers

The Partnership aims to deal honestly with its customers and secure their loyalty and trust by providing outstanding choice, value and service.

#### 6. Business Relationships

The Partnership aims to conduct all its business relationships with integrity and courtesy, and scrupulously to honour every business agreement.

#### 7. The Community

The Partnership aims to obey the spirit as well as the letter of the law and to contribute to the wellbeing of the communities where it operates.

## **What has been the most important factor to its success?**

John Lewis has chosen to establish a set of principles by which our business is run and we try to maintain those standards in all that we do. We believe in dealing honestly with our customers and suppliers and this has led to a high degree of trust between us. We seek to build long term relationships.

## **What are the benefits of using a cooperative model as a large company?**

We believe that a company can be successful and more satisfying for its employees if they are engaged in its performance. Our staff are encouraged to take more responsibility because they are co-owners and they take more pride in what they do.

## **What was John Lewis' motivation for maintaining the cooperative model?**

It's not a question of motivation, although we do happen to believe that it is a very effective way to run our business. The company is set up as a Trust and the model is therefore enshrined in law.

## **Has using a cooperative model been a factor in the company's sustainability?**

Yes. We are not answerable to outside shareholders, which allows us to take long term views and we do not have to take business decisions based on other people's desire to make a profit.

## **Can you give example within the last 5-10 years of when the cooperative model has needed to be amended?**

We have re-structured our management model and have evolution in our Councils (staff representative bodies) but that has been a process of evolution to reflect the modern world rather than any drastic change. We have refined our purpose through our Constitution, but again, to use more modern language as the original was written in the 1950s.



## FUNDING & FINANCE FOR ETHICAL FASHION BUSINESSES: **CASE STUDIES** **PANTS TO POVERTY**



Started in 2005 as a response to Nelson Mandela's call for "a generation to rise up" and Make Poverty History, Pants to Poverty are a no compromise underwear brand in the business of social change. The pants are made of organic cotton and the company organise mass public events to promote change. They also support organisations such as Environmental Justice Campaign, Labour behind the Label and People and planet.

### **What are the goals of your business?**

To rid the world of bad pants by mainstreaming ethical undies.

### **How did you raise funding for the launch of your brand?**

Principally through sales after a £3k start up loan, also with the support from UNLTD (a charity organisation that promotes entrepreneurs - level 2 award) then with small investment from network

### **What challenges did you face and how did you overcome these?**

Challenges; Never having any experience in fashion, people trying to copy the brand, agents in supply chain taking too much of a cut, cash flow, getting proper access to the supply chain partners

Resolutions: The main way to resolve these has been through building a strong team who specialise in the key fundamentals of the business + aggressively sticking to our position and focussing on enhancing the position of the workers in the supply chain

### **What have been the most important factors to the success you have achieved in sales?**

Having a unique product, that has great branding and is excellent quality with accessible pricing and is underlined with strong values.

### **How have you managed on going finance for the brand?**

We are currently funded from sales and very small salaries for work force.



## **What are your top tips for entrepreneurs in the fashion sector who are looking to achieve social and environmental benefits as well as commercial success through their work?**

Don't wait until you're ready.

Build very strong mutually beneficial links with your supply and distribution base.

Be the best in terms of quality + ethics.

Don't give up.



## FUNDING & FINANCE FOR ETHICAL FASHION BUSINESSES: **CASE STUDIES** **VEJA**



Veja is a Sneaker company that uses organic and fairtrade cotton produced by farmers in Brazil, wild rubber from the trees of the Amazon, (which means it is both renewable and biodegradable) and uses chrome free leather that is tanned with organic compounds to make their sneakers.

### What are the goals of your business?

At the origin of Veja was a question : “Is another world possible?” Working with co-operatives of small producers across Brazil, Veja uses organic and fair trade cotton and wild rubber from the Amazon to create trainers that respect both the environment and human rights.

### How did you raise funding for the launch of your brand?

Veja is a French company. The 2 founders of Veja are Sébastien Kopp and François Morillion. In 2003, after their studies, they travelled around the world studying sustainable development projects ([www.justeplanete.org](http://www.justeplanete.org)). In Chinese factories, South-African mines and the Amazon rainforest, they looked for solutions to the problems of our times: massive deforestation, exhaustion of natural resources, labour exploitation... They decided to create Veja when they returned to France.

Veja works with a co-operative of small producers of organic cotton in the North East of Brazil and with a cooperative of Seringeiros (rubber tappers) in the Amazon. Veja works with those producers respecting the Fair Trade rules. Veja buys the cotton and the rubber in advance, with a premium (more or less twice the market price) and signed long-term contracts with the cooperatives.

To set up Veja and to finance the first collection of 5000 pairs, Veja has been offered by La Nef, a French cooperative bank which finances only solidarity projects a zero rated loan of 10 000 euros.

### What challenges did you face and how did you overcome these?

The biggest challenge at the time Veja was created,(2005) was to prove that it was possible to create trainers as well as maintaining high social and environmental standards. Veja was amongst the pioneers of ethical fashion in France. Most people and administrations didn't really believe in our project and thought we were crazy. But we were quickly backed by numerous journalists, department stores and selective boutiques across Europe which helped us to prove that our project was possible.

## **What have been the most important factors to the success you have achieved in sales?**

Since the beginning of Veja we strongly believe that the design of the trainers will determine the success of the brand and not just the work that we do in Brazil. The primary goal is that consumers buy the trainers because they like them. Ethical aspects shouldn't be the only reason to explain a purchase especially when it is about trainers. The Veja trainers are available in selective stores in European capitals. Convincing the customers who are already convinced with fair trade principles is not our priority. We want the Veja trainers to be next to other sneakers brands in stores where consumers ordinarily shop.

Veja has been launched in Paris in 2005 at Palais de Tokyo (a contemporary art museum) and the same year the best department stores (Galeries Lafayette, Bon Marché) and selective boutiques have decided to retail the Veja trainers, which helped us to work with new stores across Europe the following seasons.

## **How have you managed on going finance for the brand?**

Fair trade is not a charity act. It's a commercial act which respects all the participants' dignity. For us, it is all about an act of "commercial disobedience". The standard system is focused on low prices that depreciate the human aspect. The result is that many farmers cannot live on their livelihoods and workmen have very bad working conditions and do not benefit from any social protection. Facing such a system, Veja pays producers from 60 to 100% more than the world market price. The aim is to finance tangible developing projects concerning health, training, education and environmental protection.

These concerns have a cost but this cost is not automatically added to the trainers' price. Generally, 70% of the cost of sneakers are dedicated to marketing and advertising. By cutting down this cost, it becomes possible to pay a fair price to our suppliers, and to use alternative ethical materials.

## **What are your top tips for entrepreneurs in the fashion sector who are looking to achieve social and environmental benefits as well as commercial success through their work?**

The future of fair trade and ethical fashion will depend on design and quality. One of the first objective is to create apparel that people really want to wear. This is the best way to prove that ethical fashion is sustainable.

We also strongly believe in transparency. Customers are not fools, they are asking for more information about the products they also now have the means to find this information by themselves. Consumers have the power through their consumption to change the world they are living in. Be transparent regarding your project, explain what you have achieved in terms of social and environmental benefits, and explain what you have not yet achieved.





## FUNDING & FINANCE FOR ETHICAL FASHION BUSINESSES: **CASE STUDIES** **LOWIE**



Knitwear and accessories designer- Made from recycled vintage scarves, organic or recycled yarns as well as end of line fabric. Their hand knit products are made in a Chinese village rather than in the city which gives support to more rural communities. The leather accessories and purses are made in Turkey from a family based studio, all other products are made in London and couriered by bike (where possible) to lower the carbon footprint.

### **What are the goals of your business?**

To design, produce and sell vintage-inspired fashion and accessories in an ethical, environmentally aware and sustainable manner.

### **How did you raise funding for the launch of your brand?**

The brand grew slowly in a very organic fashion – starting out with stalls at Portobello and Spitalfields markets. Lowie received a low interest loan from The Princes Trust of £3500 which was repaid over 3 years. The Princes Trust is very supportive and the experience of being with the Trust was invaluable.

### **What challenges did you face and how did you overcome these?**

Problems with production are eternal although it does seem that once your supplier begins to understand your brand styling and once you work out the best way of communicating with each other then it is best to stick with that same supplier and work out your problems rather than trying to source another supplier and start again. There are always many teething problems.

Initially I was getting my knitwear made in Turkey but due to rising costs (the Turkish economy was growing at the time) and poor availability of good quality raw materials I needed to have my knitwear produced in a place that had great hand-knitting and hand-frame machine skills and a good availability for high quality yarns. I received an email (get yourselves on email lists) listing a number of small manufacturing companies from Hong Kong that were exhibiting in a Hong Kong Government sponsored show. I found my current supplier there 4 years ago.

## **What have been the most important factors to the success you have achieved in sales?**

Good design and brand identity (USP), hard work and determination.

## **How have you managed ongoing finance for the brand?**

It's important to know where you are everyday with your finances – debtors, creditors, upcoming payments etc. Lowie has grown slowly over 6 years, the first 3 years being very tough financially. At times I have had to borrow money from family to assist with cashflow, most especially for production deposits. As the orders grow so do the production deposits which can be between 30% to 50%.

## **What are your top tips for entrepreneurs in the fashion sector who are looking to achieve social and environmental benefits as well as commercial success through their work?**

Don't skimp on design. No matter how ethical a piece, customers will not buy something that they don't want to wear.

