Generational Shift: Millennials and Gen Z Driving Ethical Supply Chains in Corporate America

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Generation Shift: Millennials and Gen Z Driving Ethical Supply Chains in Corporate America

Abstract:

This paper explores how millennials and Generation Z are driving a shift towards ethical supply chains in corporate America. Drawing on examples like Nike and Boohoo, it investigates the influence of these younger generations on consumer trends, emphasizing their preference for products aligned with values such as sustainability and ethically produced products. The paper outlines challenges faced by companies in adopting ethical practices, offers a step-by-step guide for implementing ethical supply chains, and highlights the significance of certifications like Fair Trade and B-Corp in fostering consumer trust and brand reputation. The paper asserts that millennials and Generation Z have reshaped consumer expectations, compelling companies to prioritize ethical sourcing. It underscores the importance of continuous adaptation to meet evolving consumer demands and advocates for a corporate ethos grounded in sustainability and social responsibility.

Introduction:

Millennials and Generation Z are a rising consumer group, and already have more influence on companies than you may believe. In 2015 one of Nike’s supplier factories in Vietnam went on strike and revealed their “abuses and inhumane working conditions” to the
world. This factory produces most of Nike’s university apparel. After this strike, Nike was pressured with demands to sign the “University code of conduct for suppliers”. However, Nike refused. Georgetown University students protested and demanded the school cut its contracts with Nike. After increased pressure from Georgetown University, Nike agreed to have an independent auditor in all their factories to ensure it isn’t just a problem at the Vietnam factory (Lopez, 2016). Although Nike is a very large company they were forced to negotiate and make compromises with their suppliers to meet their customers’ demands. Luckily for Nike, they did not suffer any major economic consequences from these protests and news of unfair working conditions. However, in 2021 *The Sunday Times* did an undercover investigation on the fashion retailer Boohoo. *The Sunday Times* discovered that many of their factories has unfair working conditions and “modern-day slavery” at their Leicester Garment factory. When *The Sunday Times* published an article revealing these facts the next day the value of Boohoo dropped by 1 billion (McSharry, 2021). Scandals like these can have serious consequences for a company, both for their public image and for their company’s stock value. It is important for a company to understand how its products are made and to have a transparent relationship with its suppliers. This ensures that the company does not suffer the same consequences as Nike and Boohoo. With more instances like these happening every year, it is fair to assume that millennials and generation z (Gen Z) have a different set of values that have changed consumer trends and are now pressuring companies to operate at higher ethical standards than before.

In this research paper, I will explore consumer trends about millennials and Gen Z; more specifically I will be analyzing available data to show how millennials and Gen Z are creating new consumer trends, pressuring companies to change to an ethical supply chain, and how
companies can meet these demands. Millennials and Gen Z are creating a green wave in corporate America; they are pushing companies to create an ethical supply chain and to operate their companies at a higher ethical standard. Before we dive into this topic it is important to understand what an ethical supply chain is. An ethical supply chain can be defined as “a practice that focuses on the need for corporate social responsibility, working to produce products and services in a way that treats its workers and the environment ethically” (Goldman, 2021).

**Consumer Trends:**

To understand how younger generations have so much influence on a company’s internal decisions, we must analyze what they are doing and why they are doing it. I will show examples from available data that studied the values, purchasing behavior, and how they affect today’s consumer trends. For this, it is important to understand the differences in the purchasing behavior of younger generations and the values that reflect their purchasing behavior. In an article written by Melanie Curtin, Nielsen polled 30,000 consumers in sixty different countries to understand what influences how consumers feel about brands and how those feelings affect purchasing behavior. They found that “Today's consumers don't want to buy a product, they want to buy a lifestyle. People want to feel that whatever they are buying aligns with their personal values. That's why we're seeing a shift towards sustainable farming, farm-to-table, and organic botanical ingredients” (Curtin, 2018). This change in consumer behavior has developed recently: “Especially, since the COVID-19 outbreak, people and especially millennials have started focusing on maintaining futurism, environmentalism, naturalism, and sustainability and consuming more organic and naturally green products” (Ikram et al. 2019). These values and consumer behaviors are affecting how corporations do their business. A recent research paper
found that some of the strongest external drivers towards sustainability are the consumers. (Donavan & Topple, 2023). Contextual studies looking at green consumption behavior and green purchase intention among millennials found that “in different parts of the world proclaim that humans are forcing themselves to adopt pragmatic behaviors, which bring them nearer to naturalism” (Joo et al. 2020; Testa et al. 2021). Mohsin et al. (2019) referred to it as “a movement and is greatly affecting and changing human (consumer) behaviors and they are pealing for environmental preservation, protection, and sustainability” (Madad, Ullah, Ahmad, Cheok, & Alenezi, 2023). With consumers being brought closer to environmentalism and naturalism it is only natural for them to change their purchasing behaviors to align with these values. These values of sustainability, naturalism, and preservation in a consumer behavior perspective directly relate to ethical supply chains. Although there is a difference between ethical and sustainable supply chains. The difference between the two is that ethical supply chains ensure that the products we consume were produced responsibly. This includes fair treatment of workers and consideration of environmental impacts the supply chain may have. This may come in the form of legal contracts with workers, no child labor, fair wages, responsible treatment of waste, and health and safety protocols. Sustainable supply chains focus on finding ways to minimize the impact or improving the environment with our purchasing and sourcing actions. The Warehouse Group describes sustainable supply chains as “beyond economic considerations of a material or product, and taking into account environmental, social and ethical factors as well” (Ethical and sustainable sourcing-whats the difference and what's happening?, 2019).

Many businesses know that their consumer’s values have changed and to capture this new market they know changes are needed. I will go over the importance of change in a company and what barriers they may face when trying to build an ethical supply chain. A
research paper assessing sustainability among large food and beverage companies, found that some large companies want to be leading the charge in sustainability efforts. “What we see right now is that two major retailers are in race to be the most sustainable, to be the most sustainable supermarket, and their level of interest in our sustainability practices has never been more intense” (Donavan & Topple, 2023). With a large push from consumers, companies have been forced to make changes to adapt to new markets. These changes also come from internal values of a company. Companies that do not want to make changes still hold their old values. In an interview with the National Environmental Manager from a large food and beverage company said “People get stuck in the old ways of doing things. ‘Oh, you cannot do that’. Oh, yeah. So, there’s a bit of a cultural thing where people feel very attached to what they have done for many years (Donavan & Topple, 2023). The idea of change can be very hard to implement in some companies due to the internal and external barriers to creating an ethical supply chain. Many companies when searching for suppliers do not look at how their products are made but instead care more about getting the lowest possible price while also still having reliable delivery. The pressure to change is mostly felt by larger corporations as they are most commonly the ones blamed for pollution and unethical labor practices. For small and medium enterprises (SME) changes generally come from the founder of the company. In a research paper analyzing the influence of a company’s inherent values on its sustainability in SME found that the “founder possesses the power to shape the company when transferring his beliefs, values, management style, and principles” (Lynch & Ferasso, 2023). Change can also be easier for SME’s because they face fewer external barriers such as government regulation (Lynch & Ferasso, 2023). Having positive values such as sustainability and ethical practices help capture different consumer groups, but they also provide great benefit for the company internally. In an article that
interviewed Bob Ernst who was the director of procurement infrastructure for KPMG said “These practices also serve as a competitive advantage, especially when it comes to recruiting young talent out of college” (Mcavoy, 2016). Companies that have a positive social impact and ethical underlying values have an easier time recruiting younger talent out of college. This is because these values align with the younger generation and therefore, they are more willing to work somewhere that they feel they are making a difference. For the companies that are not able to capture younger recruits, it only makes it harder for them to be more innovative and grow as a company.

**Challenges Of an Ethical Supply Chain:**

Creating an ethical supply chain comes with its challenges, I will explain some of these challenges such as scope 3 emissions, complicated supply networks, and increased cost of production. For many companies, the idea of creating an ethical supply chain may be daunting. This is because to truly have an ethical supply chain you need to do a deep dive on your suppliers and their suppliers. It is important to be able to track where the raw materials for your product come from. If your product is a shirt, you should know where and how the cotton is being harvested, where it is processed, cut, dyed, and made into the final product. This can be very challenging since many products are made overseas and having a direct oversight on production can be challenging. Most companies only track their scope 1 and 2 emissions. Scope 1 emissions are “those created directly during production” Scope 2 emissions are “those caused indirectly through the use of whatever is produced” (Cohen, 2023). Many companies forget about Scope 3 emissions. Scope 3 emissions are “those outside the control of the organization but within their supply chain” (Cohen, 2023). Scope 3 emissions are the hardest to track because your company does not always have direct oversight of what their suppliers do. Tracking scope 3
emissions is very important when trying to create an ethical supply chain because it has a direct correlation with your products.

Many consumers express that they want transparency when purchasing a product, “A recent Accenture Strategy survey of nearly 30,000 consumers in thirty-five countries found that more than half of UK customers “want companies to take a stand on issues they care about such as sustainability, transparency and fair employment practices.” (Goldman, 2021) This leads to the next challenge of creating an ethical supply chain. Many foreign suppliers are not fully transparent about their production process and where they get their raw materials from. Creating transparency within your company and supply chain can be challenging but can bring great benefits. Having a transparent supply chain will also help you receive certain certifications such as Fair-Trade certification which we will go more into later in this paper. Probably the most common challenge/barrier for companies to create an ethical supply chain is the cost. In many cases purchasing products that were produced ethically are more expensive. This is because you are paying for fair wages of employees and safe working conditions. This is the biggest deterrent for companies because the front-end cost is often more than what they are willing to spend.

How To Create an Ethical Supply Chain:

There are many ways to create an ethical supply chain, but I will go through a basic step-by-step process on how to create an ethical supply chain. The first step in creating an ethical supply chain is by updating or creating your ethical supply chain code. This is a very important step because this is when you write down the values you want to follow and the goals you want to achieve. These values should be important to the founder of the company and to all the executives. It is important to consider how these values will affect your company and if they will have a positive or negative impact. Your supply chain code should set standards for your
company to follow and standards for your suppliers to follow. It should explain how these standards will be met and what will be done to ensure they are followed by your company and your suppliers (Lynch & Ferasso, 2023).

The next step in creating an ethical supply chain is outlining your supply chain. With how interconnected our world has become supply chains have become ever more complicated. It is now more of a supply network in which there are many moving parts and levels. It is essential to have a complete understanding of your supply chain. This is when you want to do a footprint analysis and increase supply chain visibility. You need to be asking important questions such as how many factories do you have? Where are your factories? What are the practices at the factories? Where are the raw materials coming from? These questions are very important to ask. They won’t just help you have a more ethical supply chain but can greatly improve your supply chain and its inefficiencies. Many companies may have very complicated supply chains and may not have the resources to spend the time mapping and thoroughly investigating them. There are solutions to this problem. Many companies offer services and/or software to help you map your supply chain. One of these companies is called Kepion. Kepion offers a supply chain mapping software, this will help with calculating real time scenarios, lead times, resources, BOM’s, sourcing locations, and even adjust demand and supply scenarios to visualize future scenarios. This can all be done on a weekly, monthly, quarterly, or yearly basis. A software like Kepion can help with much more then understanding your supply chain, it can greatly improve all other aspects of your business and reduce costs. Once you have a complete outline/map of your supply chain you will have a greater understanding of your product and the steps that go into it being produced.
The third step in creating an ethical supply chain is collaboration. This is when you present your supply chain code to your suppliers. You need to communicate to them your goals, standards, and values. This collaboration phase may take some time as suppliers can be unwilling to make changes to their manufacturing process. If your suppliers are unwilling to collaborate or are unable to follow your supply chain code of conduct, then it is time to find a new supplier who will. Finding new suppliers who are reliable can be difficult. There are many companies that can offer modern solutions to your supply chain issues. Zetwerk is a company that offers many manufacturing services. They can offer custom made components, mass production, quality certifications, inventory management, and even supply chain management. Zetwerk can simplify the process of manufacturing your product and are willing to work with your company to meet your ethical demands. Zetwerk can be a great alternative for smaller companies that do not have the resources to manage a complicated supply chain. This can help your company grow faster and focus resources into other aspects of your business.

The fourth step in creating an ethical supply chain is transparency. As expressed earlier in this paper, transparency is very important. Transparency will not only allow you to have a complete understanding of the inner workings of your supply chain but will also allow you to make accurate marketing campaigns for your ethically produced products. To be transparent your company needs to know its environmental impact. This can be very hard to monitor with large supply chains. Ecometrica is a company that focuses on monitoring supply chains. They focus on the impacts your supply chain has on the environment. Having a third party monitor your supply chain will help greatly with knowing your carbon footprint and areas you can improve. It also helps consumers trust your company knowing that you are being monitored by a third-party; this helps with transparency. Ecometrica will also help you ensure you are following all local, state,
and federal legislation. Ecometrica will help display transparency in both your companies’ values and your supply chain. A very good example of transparency within a company and its supply chain is Patagonia’s “Footprint Chronicles”. This was a project started by Patagonia that puts their entire supply chain on a world map. This makes it incredibly easy for consumers to visualize Patagonia’s supply chain and to learn more about each factory and each step of their process. This transparency by Patagonia has helped them become a global outdoor clothing brand company and many consumers are loyal to Patagonia and continue to purchase their products because of their values, transparency, high quality, and commitment to their company’s mission statement. Transparency can be very important to some consumers and can be rewarded with brand loyalty.

The final step to creating an ethical supply chain is commitment. It can take a lot of work and time to build an ethical supply chain, but it can be destroyed very fast if you are not committed at every level. This is when you revisit your supply chain code of conduct and your suppliers to ensure your standards are being met and continue to be met. You should also have a plan set aside for how often and how you will ensure your standards are being met. As your company grows it is important to revisit your supply chain code of conduct to see if any improvement can be made.

**Certifications For Ethical Supply Chains:**

There are many certifications that companies can receive for themselves and their products. I will go over the most common certifications, their importance, and how companies can go about getting these certifications. One of the most common certifications is having Fair-Trade products. Fair-Trade means that a company has a supplier in a developing country and is paying a fair price for its products. This price is calculated and adjusted every of couple years to
account for inflation and local circumstances. Fair Trade certifications don’t go to companies but rather to their specific products (Mudrick, 2023). This way consumers can be positive that what they are buying is a Fair-Trade product. To start the certification process you first need to fill out an online application. Then a Fair-Trade representative will work with your company and help you become Fair-Trade certified. Fair-Trade certification is a continuous process. Randomly they will audit your supply chain to ensure you are still following their guidelines (Mudrick, 2023). This is why commitment to an ethical supply chain is very important. The most common use of Fair-Trade products is Fair-Trade coffee. Coffee is mostly grown in developing countries such as Brazil, Vietnam, Columbia, Ethiopia, and Guatemala, to name a few (Farrers Coffee. Top 10 Coffee producing countries around the world, 2023). The farmers that produce coffee beans are often family owned farms that rely upon selling their coffee beans internationally to make a living. The Fair-Trade organization gives these farmers a chance to sell their products at a fair market price so they are able to sustain a liveable lifestyle. These farmers however do have to meet Fair-Trade standards, these include non GMO’s, no forced child labor, and protection of wildlife and land that they use (Grounds For Change. (n.d). Fair Trade Coffee). By purchasing Fair-Trade coffee you are supporting small sustainable family owned farms in developing countries that actively protect the land a wildlife in their area. You are also purchasing a higher quality product that is GMO free and free of harmful agrochemicals.

Another increasingly popular certification for companies is becoming a B- Corp. What does a B-Corp mean, how is it beneficial, and what do you need to do to become certified. The definition of a B-Corp is “businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose” (What is a B Corporation? Everything You Need To Know, 2022). B-Corporations
become certified by the B Lab, you need to score an 80 or higher to become certified, this is based on a depth survey of your company, your business practices, and your impact on all stakeholders. Being a B-Corp is beneficial because it shows consumers that you are committed to creating a positive social or environmental purpose and recognizing your impact on your stakeholders.

A less common certification your company can get is Climate Neutral certification. This certification shows that your company monitors your carbon emissions and actively reduces carbon emissions. A company can become carbon neutral “if they balance the carbon dioxide, they release into the atmosphere through their everyday activities with the amount they absorb or remove from the atmosphere” (What does carbon neutral mean and what is net zero?, 2022). Companies can go about achieving this certification by working with a dedicated carbon management coach, working in group workshops, and a structured program to keep you on track to certification (How to Become Certified, 2022). This certification can be very beneficial for many reasons. This organization will work with your company and help educate you and your employees on how to become carbon-neutral, you will also be able to have carbon-neutral advertising campaigns and labels on products. This will appeal to your customers and show your dedication to a carbon-neutral supply chain and sustainability efforts.

Conclusion:
With more scandals like Boohoo and Nike happening every year, it is fair to assume that millennials and Gen Z have a different set of values that have changed consumer trends and are now pressuring companies to operate at higher ethical standards than before. Millennials and Gen Z have changed consumer trends, pushed companies to adopt an ethical supply chain, and to operate their companies at a higher ethical standard. Many companies have chosen to adapt to
these new consumer demands in hopes to capture this new market. With efforts of building an ethical supply chain, focusing on sustainability efforts, and receiving certifications that will help set them apart from their competitors. Companies need to do continuous market research to fully understand their consumer’s demands and be constantly innovating to meet these consumer demands.

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