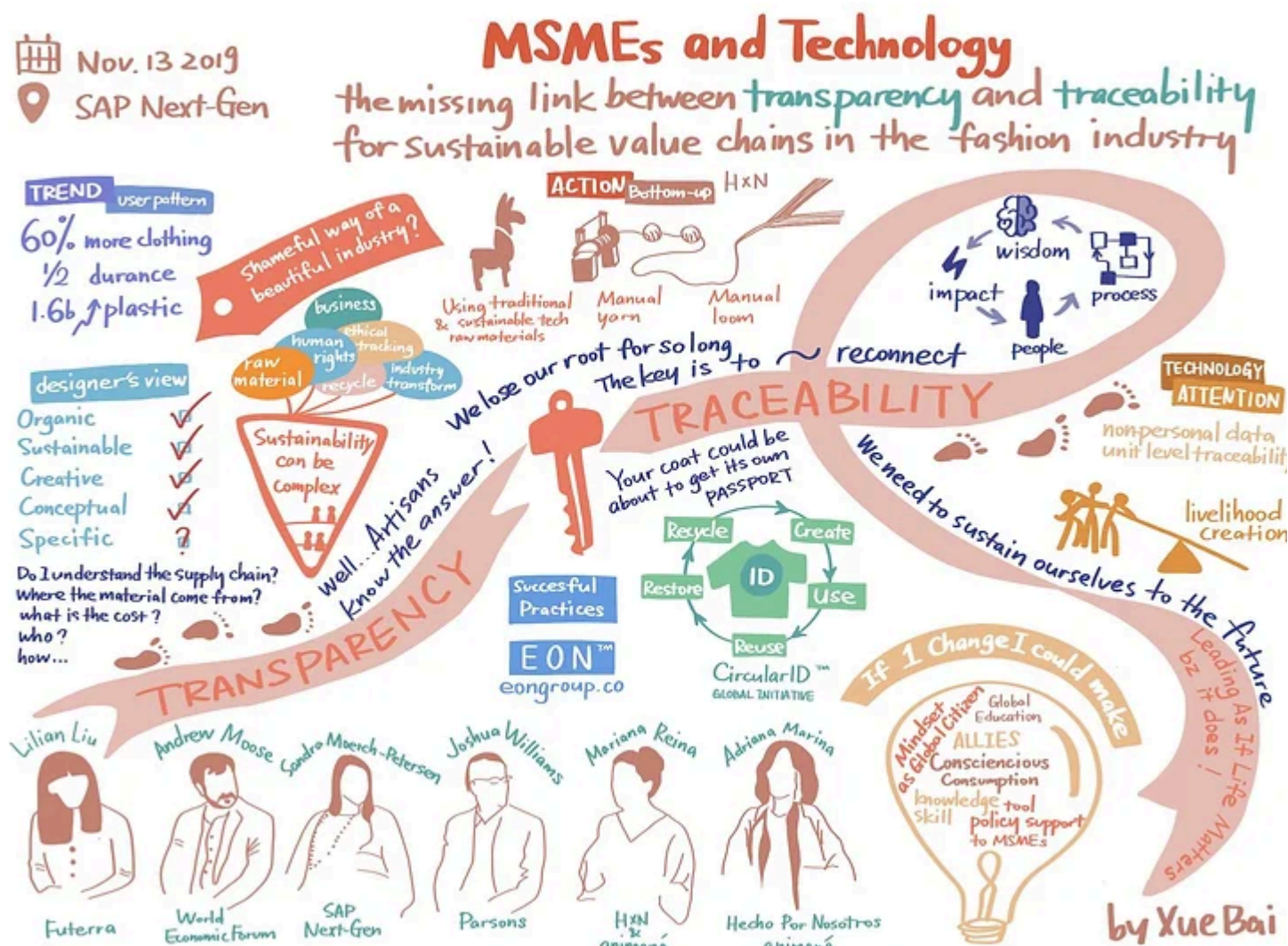


## MSMEs and Technology:

The missing link between transparency and traceability for sustainable value chains in the fashion industry.



SAP New York. 10 Hudson Yard; 13th November 2019 6:00 PM – 7:00 PM

## SUMMARY OF THE EVENT



Hecho por Nosotros, and its sister social enterprise animaná, hosted an event focused on technological solutions to bridge the gap between transparency and traceability in the global fashion industry. The conversation was led by Lilian Liu, moderator for the evening and sustainability strategist from Futerra. The panel comprised of.



**Adriana Marina**  
Hecho por Nosotros and  
animaná founder



**Lilian Liu**  
Sustainability Strategist  
Futerra



**Sandra Moersch-Petersen**  
Chief Content Director  
SAP Next-Gen



**Mariana Reina**  
NYC Representative  
Hecho por Nosotros



**Andrew Moose**  
Head of Retail, Consumer  
Goods & Lifestyle industries,



**María Belén Pappolla**  
Embassador UN  
Hecho por Nosotros



**Joshua Williams**  
Associate Director,  
MPSFashion Management,

**Mariana** described the backbone of animaná and Hecho por Nosotros which is **Adriana's** determination to promote development in the Andean region. Using camelid fiber and weaving practices steeped in tradition, the techniques used by these artisans are completely circular by nature. Hecho por Nosotros and animaná's engagement with MSMEs from Peru, Bolivia and Argentina, involves adapted technical and managerial

training and investing into strategies that enable the community to fully understand changes to the production process and demand. This is meant to empower the communities and foster an entrepreneurial spirit, which has been seen in the increased formalization of their practices and job creation in marginalized regions. The group aims towards creating an inclusive environment around the value chain of the camelid fiber industry, one where the base of the value chain sees themselves not just as suppliers but as part of the creation of designs; thus ensuring a bottom up approach towards creating a sustainable ecosystem and where they can be a key part in promoting transparency across the value chain by showcasing their processes. An interesting project to mention in that regard is the project 'Enhancing Transparency and Traceability of Sustainable Value Chains in the Garment and Footwear Sector' jointly implemented by UNECE with the ITC and ILO, aiming at providing the industry with a concrete solution to advance transparency, trust and due diligence with a normative framework and a technical standard for full traceability of the value chain and capacity building activities to disseminate project outcomes globally. In order to explore the potential of advanced technologies, a blockchain pilot has just been designed for the cotton value chain to be started early 2020.

**Sandra** emphasized that the fashion and textile ecosystem, including brands and vendors, have harnessed the connectivity and support infrastructure of SAP. The SAP-Ariba product, now open to MSMEs and startups, connects corporations with a comprehensive database of vendors from all regions. With transactions worth \$3 Trillion, the data is key to estimating the distribution of revenue along the value chain of production. As with any data reservoir, the challenge lies in maintaining authenticity and the centralized access to customized data. Developing skills at the base of the value chain is therefore crucial, the intelligence of the output depends on the quality of the input. Sandra also underlined the role of SAP-Next Gen in providing the essential environment and support for innovative ideas, like the startup EON, aided by SAP Next Gen in promoting innovative solutions to create digital identities for products.





**Lilian** framed the importance of Micro Small and Medium Enterprises (MSMEs) in global economies, particularly in developing countries. MSMEs represent around 90% of businesses and more than 50% of employment worldwide. Organized sector MSMEs contribute up to 40% of GDP in emerging economies, and the potential of the formal and informal sector MSMEs combined is significantly higher.

**Adriana** initiated the conversation by outlining the technical and institutional challenges that MSMEs in the Andean region face at various stages of the supply chain. Hecho por Nosotros and animana strive to alleviate these challenges by building capacity from the base to bridge the gap to global markets. Technology has the power to facilitate this process towards inclusive growth throughout value chain, but the solutions must be adaptable to the needs of stakeholders from diverse ecosystems in terms of geography and infrastructure.

**Andrew** highlighted that although leading narratives label the industry as 'dirty', due to its ecological and human footprint, there is an enormous potential of impacting the SDGs. With current consumption patterns suggesting a 60% increase in clothing purchases, fueled by a rise in middle class from 3.8 to 5.4 Billion, long-term systemic change is vital. This provides an opportunity to identify new ways in which to transform the industry's footprint and counter challenges not only through the top-down but also through a bottom up approach. Andrew also emphasized the importance of looking into new opportunities such as clothing repairs and shared fashion, aimed at including consumers and value adding agents into the solution. The challenge is complex and requires generational rather than short term change.

**Joshua** spoke of the growing awareness around the social and economic effects of unwise management and design aspects in the fashion world, which has been reflected in the academic echelons. The Parson School of Design in particular has embedded sustainability in every course, which has led to an expansive and growing space for industry and students to discuss sustainability and how it touches upon every element of fashion in

the value chain. Joshua advises his students to take a holistic view of the issues involved in their sphere, weighing if these can or are worth being resolved through market, design or finance-oriented disciplines.

**The following are key takeaways from the open session for questions:**

- Big corporations are grappling to strike a balance between “Conscious consumption Vs Conscientious consumption”. There is an overwhelming willingness both among large corporations and MSMEs to engage in sustainable business practices, but lack of clarity on moving forward. Large corporations, due to sheer size and structure, often resort to retrofitting sustainable practices. MSMEs on the other hand, by virtue of their agile structure, are flexible to adapting demands that reflect changing values and thus provide a learning opportunity for large corporations in adapting new systems and processes in place. It is therefore necessary for large corporations to view MSMEs as allies and partner in their strategy and empower the base.
- A prime reason for our current state of disharmonious relation between economic development and sustainable growth is the neglect of ancient arts and techniques that have preserved much of our civilization's tale of progress. Adaptable technology can give a voice to the stakeholders at the bottom of the value chain and enable them to self-certify their sustainable practices. The whole process can then be shared with consumers to connect them to the origin of their garment and uncover the hidden value, encouraging conscious consumption behavior. Transparency is still viewed as a byproduct of luxury material rather than mass consumption.
- There is a growing realization among big brands that selling more by creating below average life cycle products is exerting superfluous demand on a fragile ecosystem, leading to conflict over resources. Instead, alternate business models that fit into a circular and sharing system must be developed, with focus on quality, durability, longevity and recycling. Data and reporting, both personal and non-personal, is key to developing public and private strategy for these business models. While personal consumption data is often restricted, non-personal data pertaining to material and make as it relates to recycling and reuse are a good start towards data driven sustainable marketing. Policies and reporting should avoid exerting more financial pressure on the price burden already felt by the MSMEs.

We thank the panelists and audience for their thought-provoking participation, as well as our host SAP-Next Gen for their warm hospitality. We hope the event is instrumental in recognizing the potential contribution of technological advancements in achieving a transparent supply chain and highlighting the concerns and recommendations of an industry that has an unlimited potential for greater good. Today's event is a step in a series of engagements organized by Hecho por Nosotros and animana that will continue to direct attention and provide a platform for MSMEs and sustainability practitioners to impel audiences in informed discussions on the current and future state of the fashion industry.