Bryant University

HONORS THESIS

The Impact of Diversity, Equity, and Inclusion in the Fashion Industry

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Table of Contents

Abstract 1
Introduction 2
Literature Review 3
Size Inclusion 3
Racial Diversity 4
Gender and Sexuality Representation 6
Disability Representation 8
Stock Price Movements 9
Research Questions 10
Research Methodology 10
Consumer Survey 11
Price Construct 12
Price Key Statistics 12
Advertisement Construct 13
Advertisement Key Statistics 13
Brand Values Construct 14
Brand Values Key Statistics 14
Buying Behavior 15
Buying Behavior Key Statistics 15
Financial Analysis 16
Analysis Methodology 16
Net Profit Margin 17
Sales Growth 18
EPS Growth 19
Case Studies 20
Victoria's Secret Case Study 20
Nike Case Study 21
H&M Case Study 23
Conclusion 24
Limitations 24
Appendix 25
References 26

ABSTRACT

This research study is an examination of diversity, equity, and inclusion in the marketing and infrastructure of companies within the commercial fashion industry. The aim of this paper is twofold. First, this paper examines the purchasing preferences and behaviors of young adults and whether their opinions on diversity and inclusivity impact it. Second, this paper examines the financial impact of companies that adopted an inclusive and diverse approach to their marketing strategies and company infrastructure. I hypothesize that inclusivity and diversity are qualities highly valued by consumers and would thus have a positive financial impact on companies that focus on them. Recent literature emphasizes the overall need for improvement in the fashion industry and the results that DEI has when implemented. To test this hypothesis, I conduct a survey to evaluate peoples' purchasing preferences, perform a financial analysis of 15 highly valued fashion companies that have adopted Diversity, Equity, and Inclusion, and conduct 3 case studies of stock price and trade volume movement in response to DEI-related press releases.

INTRODUCTION

Humans are not one size fits all so why are our clothes and advertisements? Inclusivity is the practice of providing equal opportunity and representation for different identities of people. The practice of diversity is to understand and recognize that all people have differences, these differences may come in the form of race, ethnicity, gender, sexual orientation, etc. (Queensborough Community College, 2021). The issue of inclusivity and diversity in the fashion industry has been apparent since its birth but when we live in a world with hundreds of millions of people coming from all walks of life the ratio of representation does not match up. Groups of people that were once viewed as minorities whether it be in terms of race, gender, body size, gender identity, sexuality, or disability are now becoming a much larger part of our population. The heteronormative, white, and size 0 woman depicted in fashion is not representative of these populations, even though they bring such high demand with their dollars. The untapped market potential of appealing to these once believed to be minority groups is exponential. Recent literature discusses the potential markets of – size inclusion, racial diversity, gender and sexuality representation, and disability representation. These lenses of DEI are worthy of dissection because of both their moral and fiscal value for retail fashion companies. In this paper, I will analyze the profitability of these lenses by utilizing revenue trends and tracking stock price shifts for a variety of publicly traded brands.

LITERATURE REVIEW

Size Inclusion

Because people come in all shapes and sizes, retail advertising should evolve to represent the real characteristics of the population. The term body positivity refers to challenging the social norms about the perceptions of our body when it comes to weight and shape. The goal of the body positivity movement is to instill a feeling of self-love and to do away with the toxic body shaming that was very prevalent and normalized (Estrina, 2021, p.5). This movement directly applies to the fashion world as we buy clothing to fit our bodies. Many brands have extended their sizing but still, there is a limited representation of larger bodies in the advertisements.

The average American woman is between a size 16 and 18 whereas sizing availability for brands averages between a size 00 to 8 (Esposito, 2021). This gap clearly shows that brands are not developing products for the majority of women and are leaving so much of the market out. Smith (2021) collects data on the average annual expenditure for women's apparel per consumer unit for the United States in 2020. The data shows that expenditure for women's sweaters, tops, shirts, and vests was $113.59 per unit/year (Smith P., 2021). Close behind this top apparel category are pants and shorts at $85.5 per unit/year followed by accessories at $61.08 per unit/year (Smith P., 2021). Other categories of apparel were included in the study, but these were the three most prominent. The entire women and girl's apparel market brings in $133.58 billion of revenue each year, of this, the plus sized market accounts for about 20%, at $24.5 billion in 2020 (Smith P., 2021).

In 2019, plus-size women purchased from Walmart, Kohl's, and Macy's the most. These large retailers offer a larger variety of sizes, but plus-size clothes also come with a higher price tag which is nearly 6% higher than standard-size clothing (Smith P., 2022). Fashion marketing is now having to adapt as their target audiences are made up of people looking to be represented, the narrow focus on the purely "normal" sized thin bodies is not indicative of our populations. For these brands to remain profitable, they must adapt their advertising strategies (Estrina, 2021, p.11-12). Studies have shown that consumer attitudes toward brands that are not inclusive result in negative feelings toward the brands and a decrease in their own self-esteem (Estrina, 2021, p.13).

Victoria's Secret" is a brand that is familiar to consumers of women's fashion. The company has struggled in recent years as they had failed to adapt to the changing times, losing 46% in quarterly sales, and because of low ratings canceled their famous fashion show in 2019 (Kohan, 2021; Feng, 2019, p.177-182; Selensky & Carels, 2020, p.95-106). The sexy, thin, bombshell look they have sold to consumers since the 1990s is going out of fashion as inclusive brands are coming in. The company has been steadily closing stores in 2017 because of the negative body image and lower self-esteem its imagery produces for consumers (Feng, 2019, p.177-182).

A brand that is a direct competitor of Victoria's Secret and has gained popularity in the last few years is American Eagle's lounge and lingerie brand, Aerie. Aerie targets consumers aged fifteen through twenty-five. Its brand ethos focusses on body positivity and "real" bodies, in a range of sizes, that are not photoshopped (Kohan, 2021). Today's customers value social responsibility and, consequently, a brand that promotes self-love will be very popular. In contrast to Victoria's Secret, Aerie has gained 27% in sales from 2018 to 2019 whereas the former lost 8% of its overall sales (Kohan, 2021). During the past couple of years, Victoria's secret has started to make improvements to its brand image and introduced its first plus-size model, Ali-Tate Cutler, in 2019 (Ell, 2021). Moving forward with body-positive branding, by expanding their size range and hiring models of larger sizes, has helped Victoria's Secret begin gaining revenue again, proving the financial importance that inclusivity has for apparel companies (Ell, 2021). In the second quarter of 2021, their revenue picked up and topped $1.5 billion with a large improvement in both online and retail store sales (Ell, 2021). Industry giants like Victoria's Secret have begun to evolve to fit this more progressive image, taking notes from smaller yet very successful companies like Aerie. When women's companies appeal to the plus-size market of consumers, doing so will apparently improve their financial performance.

<u>Racial Diversity</u>

The United States is a mosaic of races, cultures, and people of all colors. The US population is racially diverse, but retail fashion advertisements mostly depict white models. The times are changing, and this imagery is no longer preferable. Advertising has generally expanded to include people of color, but not in a meaningful way. Multicultural consumers are not looking

to be used as stereotypes or background characters in advertisements, merely to fill a diversity quota (Williams, 2019). A PQ Media study says that although multicultural consumers make up 40% of our population, spending on diverse advertising is only 5.2% of total budgets (Williams, 2019). This gap proves the underrepresentation of people of color in fashion and presents a huge fiscal opportunity for companies willing to expand their marketing approaches. Top Design Firms finds a 64% increase in immediate purchases when consumers are presented with diverse and inclusive advertisements (Jordan, 2020). These types of ad campaigns are not only attractive to just non-white consumers, but also lead to repurchases and brand loyalty. In the same study, 34% of consumers chose to purchase the same product from brands with diverse advertising over ones without. The numbers do not lie, consumers value authentic commitments to diversity and inclusion (Jordan, 2020).

An interesting aspect of consumer behavior studies is racial congruence. Racial congruence in terms of fashion marketing refers to instances where a consumer and the model are of the same race or identity (Forbes-Bell et al., 2020, p.1). In 2017, Lloyd's Banking Group conducted a study on the featuring of racial minorities in over 2,000 advertisements by the top advertising spending companies, which reveals that over the last 3 years, the frequency of minorities in major advertising has increased by 13% (Lloyds Banking Group, 2017; Forbes-Bell et al., 2020, p.2). Although this is a dramatic increase, minorities still feel underrepresented in the significance of how their race is featured. Further research shows that when racially congruent spokespersons are used in advertising, consumers react more favorably toward the brands. Minority consumers fail to find similarities with white models and spokespeople, which results in those consumers disregarding the advertisements (Appiah, 2002; Forbes-Bell et al., 2020). If these consumers do not align with the advertisements they view and instead of engaging, they disconnect with the brand, that company will lose out on a demographic of customers. The Lloyd's Banking Group's study reinforces this hypothesis as their data shows that 65% of consumers are more favorable to racially congruent ads and 67% of consumers have expectations of racial diversity when viewing an ad (Lloyds Banking Group, 2017; Forbes-Bell et al., 2020). These document consumer reactions to diversity in advertisements illustrate the significance of incorporating racial diversity in companies' brand development.

Forbes et al. (2020) study the underrepresentation of black populations in advertising and its relation to consumer behavior. This study used 120 female participants, of which 38 were black and 82 were white. These participants viewed a range of perfume advertisements including models of both races to test intent to purchase based on racial congruence. The study's procedure broke participants into groups of 3 based on different styles, floral, gothic, and glamorous. Each style group was split in half by model race, with an even amount of black and white models for each group. The artistic style was depicted through makeup, hair, and perfume bottles. The intent of this styling is to mask the true intentions of the study and to receive natural reactions to the advertisements by the consumers. All features of the ad, the makeup, hairstyle, and perfume bottles, were controlled but the race of the model changed. Participants were instructed to rate both their likeliness of purchasing and the amount they would be willing to spend on the perfume depicted. The outcome of this study shows that both black and white women have a much higher intent to purchase and willingness to spend more money on a product depicting a black woman in its advertisement (Forbes-Bell et al., 2020). Overall, the study conducted on same-race advertising proves that it has a positive effect on consumer perception of the products and increases purchasing intentions. Forbes-Bell et al. (2020) finds that there is potentially an entire group of consumers that are alienated from companies when they fail to be representative in their advertising.

Gender And Sexuality Representation

Consumers are becoming more conscious of the existence of a variety of gender identities and sexualities. Many young people are now identifying with the LGBTQIA+ communities and the LGBTQIA+ population is continuing to grow. The increased representation of LGBTQIA+ people is wanted by consumers who desire to see people like themselves included in advertisements. It is even suggested that imagery related to these communities in advertisements can help to evolve gender norms for society, placing a more important value on them aside from increasing consumer confidence (Boyd et al., 2020).

More inclusive gender and sexuality-oriented advertisements may include imagery of transgender people wearing brand clothing, gender-neutral products, couples of the same sex in advertisements, or the use of openly non-binary models. This visual representation of

people from these communities in mainstream advertising appeals to these groups and their allies, showing consumers that the brands care about them.

Previous methods of being "inclusive" to LGBTQIA+ individuals include the "gay window" which is a way for advertisers to subtly appeal to queer audiences without making it the focal point of the advertisement (Boyd et.al, 2020). This method has successfully prevented outcry from audiences that have negative connotations with the LGBTQIA+ community. This may be depicted as utilizing models that are attractive and fit gender norms without emphasizing their sexuality (Boyd et al., 2020). This method is however not inclusive as it is merely a tactic to get all consumers onboard without truly committing to the message (Boyd et al., 2020). Utilization of the gay window is no longer as well accepted as in the past because both the LGBTQIA+ community and the younger generation want to see genuine inclusive advertising. Progressive advertising is highly valued by both of these groups and brands risk rejection if they do not adapt (Boyd et al, 2020).

Brands like Abercrombie & Fitch, Vans, Savage X Fenty, Gap, and Crocs produce apparel for Pride Month and or use queer models in their campaigns that win over consumers. But the question many people ask is "are the messages behind these campaigns genuine?". Finding the true answer to this is hard, but the brands that commit year-round to the LGBTQIA+ community are those more valued by consumers. Savage X Fenty launched its brand in 2018 with queer models on its website and premiered its first fashion show in 2020 with non-binary models, queer talent, and drag queens (Kim, 2020). The brand is setting the standards for more inclusive brands that depict these models as beautiful people highly valued by brands that put them front and center. Sales for Savage X Fenty grew by 200% in 2020 with online membership increasing by 150%. The public is still anticipating an IPO, however Savage X Fenty raised $125 million in Series C funding in March of 2022. Savage X Fenty by artist Rihanna contributes to the rapid rise in popularity of the brand but consumers praise its inclusivity and branding as its main draw (Klich, 2022). As our country evolves to be more aware and accepting of people with different sexual orientations and identities, consumers highly value companies they feel represent them.

Disability Representation

One group that is commonly overlooked in retail advertising is the disabled community. The disability rights movement in the U.S. began in the 1980's by pushing for legislation to make society more accessible and aware of the community. In more recent years federal programs have aided people with disabilities through the opportunity to receive education and employment (Haller & Ralph, 2001). Increased employment among disabled persons has increased the purchasing power of their community. Disabled consumers want companies to step away from the perception of them only being present in charity advertisements or people who need help, and to instead be included in the mainstream media as able-bodied and sound minded people (Haller & Ralph, 2001)

Since the mid-1980s more disabled-inclusive advertisements began to appear. In 1984 Levis released a commercial in which there was a model in a wheelchair, popping wheelies (Haller & Ralph, 2001). By 1991 companies like Target spread print and TV ads of wheelchair-using models across the United States to 30 million households (Haller and Ralph, 2001). Target's VP of marketing stated that certain products sold much better than others because of the use of models with disabilities in those specific advertisements (Haller & Ralph, 2001). Target received supportive letters in response to the marketing and, consequently, expanded to include models of other disabilities (Haller & Ralph, 2001). Like the use of gender and sexuality in advertising, the representation of people with disabilities in media can normalize and humanize the individuals with these identities on top of the increase in revenue.

People with disabilities is a large market that remains untapped. Some reasons for this may be that (i) companies do not see a value in the inclusion of this group in their advertisements, (ii) that disability is not an attractive aspect of a person's appearance, or, perhaps (iii) that retailers do not want to come across as exploitative (Haller & Ralph, 2001). When companies do use models with disabilities in their advertising campaigns brand loyalty and consumer perception improve (Haller & Ralph, 2001). These few companies have experienced just how profitable these images can be for their brands because the size and potential of the market is is associate with a population of 61 million adults and 3 million children in the U.S. alone (CDC, 2020; Crankshaw & Young, 2021). By including these people in retail advertising, companies can capture that market as well as the market of family and friends of people with disabilities.

One trending company in the underwear, loungewear, and shapewear industry is Skims by Kim Kardashian. Kardashian launched the brand in 2018 with the intention of being for every body type (Skims, 2018). As of May 2, 2022, Skims launched their adaptive collection with Special Olympian, Scout Bassett, as their spokesperson. This line includes underwear featuring accessible snaps in the front for bras and on both sides for the underwear. This closure is intended to be a much more convenient product for people with disabilities (Justich, 2022). Bassett is featured in promotional imagery on the brand's social media page along with models and wheel-chair users Pansy St. Battie, Haleigh Rosa, and Stefanie Schaffer (Skims, 2022). The visibility of these women with physical disabilities is a large step towards inclusivity for the industry and several other large brands now offer adaptive clothing options. Target Kids Adaptive clothing, Tommy Hilfiger Adaptive, Adaptive Seven7, Aerie Slick Chick Undergarments, Kohls Adaptive, and JCPenney Adaptive are all-inclusive lines that include kid's, men's, and women's clothing (McAuliffe, 2022). These companies support independence to consumers with physical and mental disabilities.

Stock Price Movements

Overall sales and profits are not the only positive financial impacts that diversity and inclusivity in advertising can have. For publicly traded retail companies the success of these campaigns can be tracked in their stock price histories. One retail company whose success can be tracked through its stock price is Abercrombie & Fitch (A&F, Ticker ANF) (Cheng, 2020).

Many may recognize A&F from the early 2000s with their white, tan, attractive, and physically fit teen models that were plastered in their advertisements and on billboards. More notable may be the fatphobic comments made publicly by their at-the-time CEO, Mike Jeffries (Wilson, 2020). In 2003 the brand was sued for racial discrimination because hiring managers were ordered to turn away minority applicants, and others, that did not fit with the brand's image (Wilson, 2020). Following this class action lawsuit and foul statements made by Jeffries, the company's sales dipped. Over the last 20 years, Abercrombie has acquired new management, rebranded itself, and adjusted its marketing strategy. Gone are the shirtless male models and, in their place, are people of color, different sizes, and different abilities (Cheng, 2020). The success of this much more diverse and inclusive message correlates with huge growth in their sales and stock price. In the early to mid-2000s when Jeffries was still

CEO, the company stock price began to fall. Since Fran Horowitz became CEO in 2017 shares have risen and experienced a 271% growth in price from 2020-2021 (Hoffower & Davis, 2021). Some products released in the last couple of years by the brand include the "Curve Love" jean line. These jeans come in a range of sizes that embrace healthy bodies. Abercrombie is a great example of when you adapt to the needs of the current generation, you can revive a faltering brand.

RESEARCH QUESTIONS

The following research questions were formed as a result of this literature review.

RQ1. Are young adults shifting their spending towards companies with more inclusivity in their marketing strategies and product accessibility?

RQ2. Do companies with inclusivity and diversity marketing strategies have higher profitability ratios?

RESEARCH METHODOLOGY

For the research methodology, I run both a qualitative and quantitative analysis of consumer behavior and financial performance regarding Diversity, Equity, and Inclusion in fashion.

To evaluate consumer purchasing for the selected companies I conduct a survey of individuals in the 18-23 age group. This pool of people helps in understanding the spending habits and behavior of young consumers.

The quantitative analysis is a profitability analysis of 15 different companies in the apparel industry. The companies vary in the year they implemented DEI and in the way they implemented it. Examples of DEI implementation includes marketing and advertising, people and policies, public commitments, and DEI reporting. This analysis includes operational measures of profitability. Net profit margin, earnings per share, and sales growth are the three-profitability metrics each company was assessed on. The analysis includes a couple of limitations. First, some companies I may have wanted to analyze are not public, which eliminated them from this aspect of my research. Second, proving that inclusive values are

responsible for upward trends in performance, and finally, the COVID-19 pandemic had a large impact on stock markets and performance.

Overall, my goal in conducting these two research methods is to discover how effective inclusive values are in garnering consumer support and financial success.

CONSUMER SURVEY

This survey consists of 43 participants. The demographic questions I pose to participants include Gender, Age, Occupation, Race/Ethnicity, Personal Income, and Average Monthly Spending on clothing. Responses for Gender reveal that 72% identify as female, 26% as male, and 2% as non-binary. For race and ethnicity, 81% of respondents are White, 9% Black, 2% Asian, and 2% Hispanic. All respondents are in the 18-24 age range and are mostly Bryant University students. This demographic is representative of the race of Bryant University students that make up most of the pool and are a limitation of this research.

For personal income, 93% of respondents earn less than $20,000 per year, 5% earn between $20,000 and $35,000, and 2% earn over $100,000. Spending on clothing per month results show that 54% of respondents spend between $0 and $49.99, followed by 37% spending $50-$74.99, 7% spending $75-$99.99, and 2% spending over $100 per month.

The definitions for both Diversity and Inclusion are listed before the survey questions to ensure participants are accurately informed about the topics they will be responding to. These definitions are the following:

- Diversity in fashion means bringing in a diverse group of people who share clear distinctions such as age, skin color, race, orientation, and body type.
- The goal of inclusion is to include everyone, regardless of color, gender, identity, impairment, medical condition, or other needs.

The survey portion of this thesis is made up of 4 different marketing constructs — Price, Advertisement, Brand Values, and Buying Behavior. Statements are listed for each construct and participants respond using a 5-point Likert scale of their agreeability to the statements. Options include strongly disagree, disagree, neutral, agree, and strongly agree.

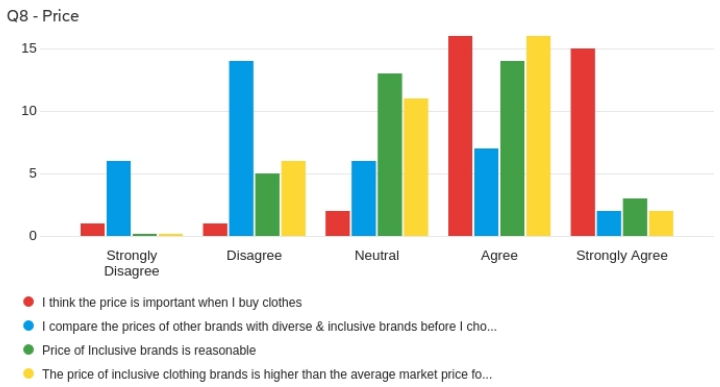
Price Construct

The price construct consists of the following statements.

1. I think the price is important when I buy clothes.
2. I compare the prices of other brands with diverse & inclusive brands because I choose one.
3. I think the price of inclusive clothing brands is reasonable for consumers.
4. The price of inclusive clothing brands is higher than the average market price for similar clothing.

Figure 1

Price Construct Results



Price Key Statistics

Most of the results are mixed between agree and disagree. The first statement, “I think the price is important when I buy clothes.” has a 72% positive response with agree and strongly agree. Statement 2, “I compare the prices of other brands with diverse and inclusive brands before I choose one.” is highly concentrated in disagree and strongly disagree at 47% of responses. This shows us that our survey pool does not actively choose between diverse and inclusive and non-diverse and non-inclusive brands. Statement 3, “Price of inclusive brands is reasonable” produces a 40% response rate of agree and strongly disagree with almost the same reporting they feel neutral about the statement. The statement, “The price of inclusive brands is higher than the average market price for similar clothing” has 42% responses for

agree and strongly disagree. From these last two statements we see that our pool of students thinks that inclusive brands prices are reasonable but are a little more expensive than standard brands.

Advertisement Construct

The advertisement construct consists of the following statements.

1. I think advertisement is important when I buy clothing.
2. The message of advertisements persuades me to buy from clothing brands.
3. Diversity in advertisements persuades me to buy from clothing brands.
4. My decision to purchase is influenced by advertisements.

Figure 2

Advertisement Construct Results

Advertisement Key Statistics

The next marketing construct that is presented to the survey pool with a series of statements is advertisement. This construct has less variance in responses in comparison to the other constructs. Statement 1, “I think advertisement is important when I buy clothing” produces 44% agree and strongly agree. Statement 2, “The message of advertisements persuades me to buy from clothing brands” returns a 53% agree and strongly agree response from the pool. Statement 3, “The diversity of models in advertisements persuades me to buy from clothing brands” has less of a positive reaction with only 40% of responses focused in the agree and strongly agree answers. For statement 4, “My decision to purchase is influenced by

advertisements" produces 53% agree and strongly agreeing that their decisions to purchase are influenced by advertisements.

Brand Values Construct

The brand values construct consists of the following statements.

1. I think brand values is important when I buy clothing.
2. I would be inclined to buy one brand over another based-on brand values.
3. I will spend more money on a brand that aligns with my values.
4. Large fashion companies should be actively involved in solving social/environmental problems.
5. Most fashion companies are socially/environmentally responsible only to improve their image.

Figure 3

Brand Values Construct Results

Brand Values Key Statistics

The next marketing construct to be assessed is brand values. The first statement I pose to respondents, "I think brand values are important when I buy clothing." has 51% agree and strongly agree response. Statement 2, "I would be inclined to buy one brand over another based-on brand values" produces 53% agree and strongly agree. Statement 3, "I will spend more money on a brand that aligns with my values" receives 47% positive responses. Statement 4, "Large fashion companies should be actively involved in solving

social/environmental issues." 63% agree and strongly agree that companies should be involved. The final statement, "Most fashion companies are socially/environmentally responsible only to improve their brand image." returns 53% of responses that are agree and strongly agree.

Buying Behavior

The buying behavior construct consists of the following statements.

1. I buy products from companies that value diversity.
2. I buy products from companies that value inclusivity.
3. I buy products from companies that value different identities.

Figure 4

Buying Behavior Construct Results

Buying Behavior Key Statistics

The final construct I pose to respondents is buying behavior. We now know what they think, but do their actions match up? The first statement, "I buy products from companies that value diversity." produces 42% of respondents agreeing and strongly agreeing that they buy products from diverse companies. For statement 2, "I buy products from companies that value inclusivity.", 47% of responders agree and strongly agree that they buy products from inclusive companies. For the final statement, "I buy products from companies that value different identities.", 47% of responders agree. Although disagree and strongly disagree are very low in this construct we do have almost the other 40% of responses for all 3 questions

concentrated in neutral. So, we see what our respondents do, and think may not be fully aligned.

FINANCIAL ANALYSIS

In this section, I conduct the financial analysis of 15 highly valued fashion apparel companies. I split the companies into 5 groups based on Market Capitalization. Market Capitalization is "the total dollar market value of a company's outstanding shares of stock. The investment community uses this figure to determine a company's size instead of sales or total asset figures." (Fernando, 2023). This metric is used as a tool to separate the companies into the market capitalization groups for a fairer comparison of performance. Group 1 includes companies are values under $5 billion. These companies are Abercrombie (ANF), American Eagle (AEO), ASOS (ASOMY), Gap Inc. (GPS), Levi Strauss & Co. (LEVI), Nordstrom Inc. (JWN), Urban Outfitter's (URBN), and Victoria's Secret (VSCO). Group 2 includes companies that are valued under $10 billion. These companies are UNIQLO, which is a subsidiary of parent company Fast Retailing (FRCOY) and Ralph Lauren (RL). Group 3 consists of H&M (HNNMY) and Zara, which is a subsidiary of Inditex (IDEXY) that are valued at between $10 billion and $30 billion. Group 4 includes Adidas (ADDYY), and Lululemon (LULU) that are valued between $30 and $40 billion. Finally, Group 5 consists of only Nike which is valued at just under $190 billion (See Appendix A for the table of groups).

Analysis Methodology

For each company, I identify a year through 10-K filings (annual reports) and company press releases as the first year DEI was implemented into the company. This would qualify as a change in company infrastructure, a campaign or launch of new product offerings, an announcement of a commitment to DEI, or the first year of ESG/ DEI reporting. These events all fall under the umbrella of the introduction of DEI into the company image. Figure 5 depicts each company and its implementation year. These companies have introduced DEI between the years of 2014 and 2021 (See Figure 5 for each individual company's implementation year). Victoria's Secret is an outlier in this analysis data set because it went public in 2021 and 10 years of financial data are not available. However, Victoria's Secret is well known for its non-inclusive past and strides in DEI since. This makes it a key company to be included in the analysis.

Figure 5

Company and Implementation Year

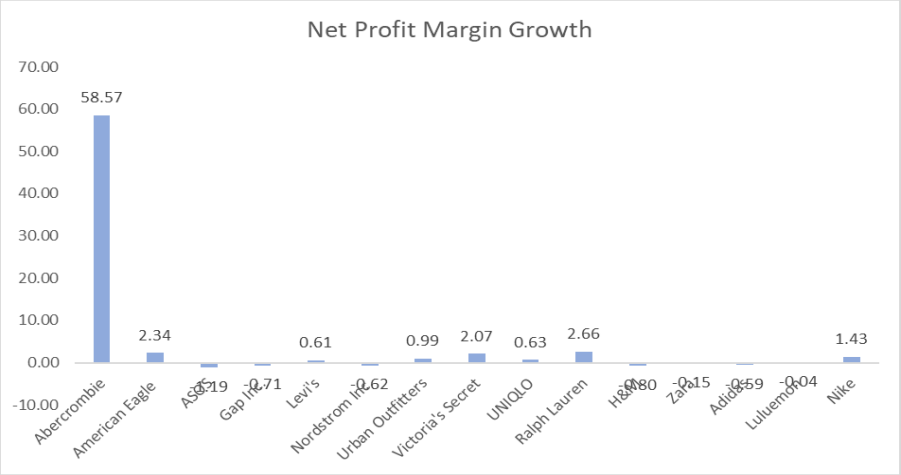
Company	Year DEI was Implemented
Abercrombie	2017
American Eagle	2014
ASOS	2021
Gap Inc.	2018
Levi's	2017
Nordstrom Inc.	2020
Urban Outfitters	2021
Victoria's Secret	2018
UNIQLO	2018
Ralph Lauren	2018
H&M	2017
Zara	2016
Adidas	2020
Lululemon	2020
Nike	2018

Net Profit Margin

Net Profit Margin or NPM is the first financial analysis ratio that was analyzed for the 15 companies. This ratio, "measures how much net income or profit is generated as a percentage of revenue. It is the ratio of net profits to revenues for a company or business segment." (Murphy, 2023). Figure 6 depicts NPM from each company's individual implementation year to the present. Alongside the values for those years is a dollar amount change between the year of implementation of DEI and 2022, and the growth between the two years. Just over half of the companies have experienced growth since the implementation year, and overall, the amount of growth they have experienced is overwhelmingly greater than the negative changes. Abercrombie & Fitch have the most growth at 58.57x since 2017, however, it is a bit of an outlier and most other companies have more modest values between 1x and 3x. Ralph Lauren grew by 2.66x, American Eagle Outfitters increased by 2.34x, and Victoria's Secret by 2.07x. Data for this chart was collected from FactSet.

Figure 6

Net Profit Margin Chart

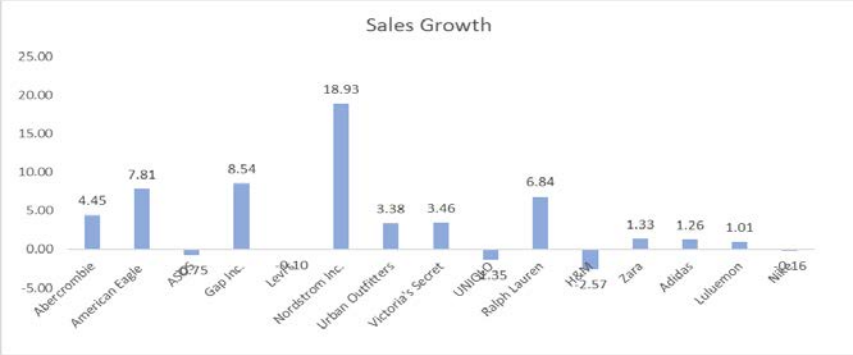


<u>Sales Growth</u>

The next metric is Sales Growth. This measures "change in revenue over a fixed period of time". Sales growth is one of the most powerful metrics in any business; it is directly tied to revenue, and profitability, and is a core metric by which you can measure the health of a sales team." ("Sales Growth", 2022). For the selected companies we can see in Figure 7, that 10 of the 15 have strong sales growth from their implementation year to the present. Losses and gains varied across the groups with no obvious trend. Some standout companies include Nordstrom Inc. (JWN) with an 18.93x growth rate, Gap Inc. (GPS) at an 8.54x growth rate, and American Eagle Outfitters (AEO) at 7.81x. The companies with losses in sales include H&M (HNNMY) with losses of -2.57, and UNIQLO (FRCOY) at -1.35x. Growth rates in comparison to losses were much greater overall. Data for this chart was collected from FactSet.

Figure 7

Sales Growth Chart



<u>EPS Growth</u>

Earnings per share or EPS "indicates how much money a company makes for each share of its stock and is a widely used metric for estimating corporate value." (Fernando, 2022). Like the other ratios we can see that most of the companies experienced positive growth from the implementation year to the present. Ralph Lauren (RL) has the best growth at 113.71x followed by H&M (HNNMY) at 28.47x. Nordstrom Inc. (JWN) and Urban Outfitters (URBN) again performed very well since the implementation year with gains of 17.7x and 27.23x respectively. Group 1 experienced the largest number of losses from -1.09x for Levi's (LEVI) up to -5.67 for Gap Inc. (GPS). 10 of 15 companies' performance have improved since DEI implementation. Data for this chart was collected from FactSet.

Figure 8

Earnings per Share Chart

CASE STUDIES

In this section, I will discuss three companies, Victoria's Secret, Nike and H&M with the goal of gauging how markets react to company press releases centered around DEI implementation.

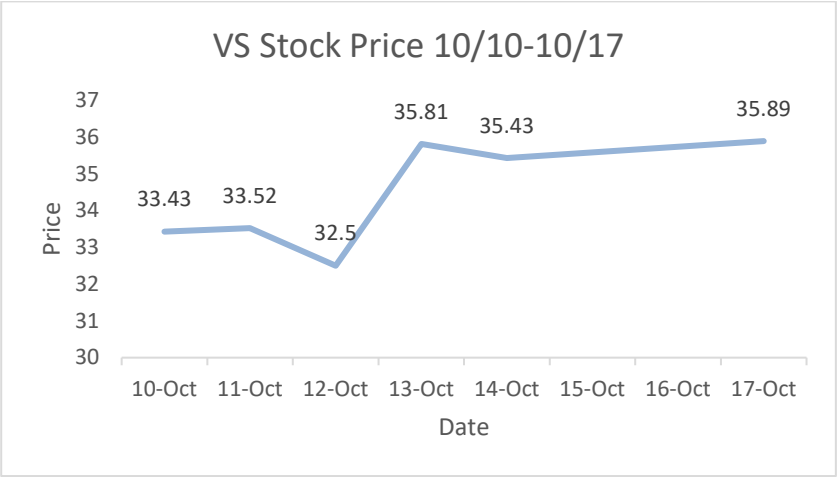
Victoria's Secret Case Study

On October 12, 2022, Victoria's Secret presented a strategic growth plan centered around strengthening the core, igniting growth, and transforming the brand's foundation. To do this V.S. plans to expand its market share and evolve its brand to be more inclusive and attract a larger, more loyal audience. This also involves expansion in the brand portfolio through investments to focus on underrepresented customer groups.

In response to this announcement, the stock price increased by 10% in one day and over the next week continued to climb with a closing high on the 18th at $37.69. Trading volume also experienced a shock from 1.2 million shares to 3.1 million shares from the 12th to the 13th of October. This data was collected from FactSet.

Figure 9

Victoria's Secret Stock Price Chart 10/10-10/17



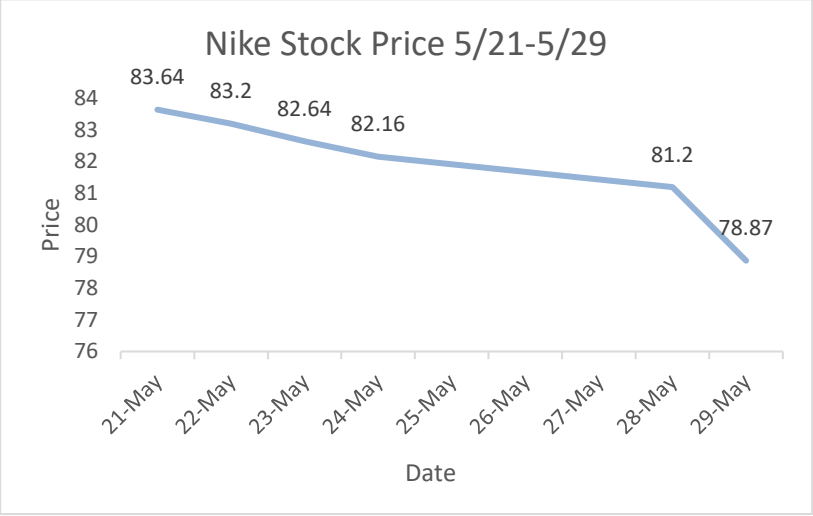
<u>Nike Case Study</u>

Nike witnessed a bad press following an Op-Ed by The New York Times by Olympian Allyson Felix. The article titled, "Allyson Felix: My Own Nike Pregnancy Story" is an honest piece where Felix revealed the treatment that she experienced as a pregnant Nike athlete. The company wanted to cut her pay by 70% and declined her request for leeway in her level of performance in the subsequent months following childbirth. This was a shared experience with two other Nike athletes who spoke out against their NDAs, which inspired Felix to share her story with the company.

On May 22, 2019, when the article was published Nike stock prices dropped by 6% over the next week with a spike in trading volume on the 23rd. following the release of the article there has been public outcry and congressional inquiry that resulted from the athletes' allegations.

Figure 10

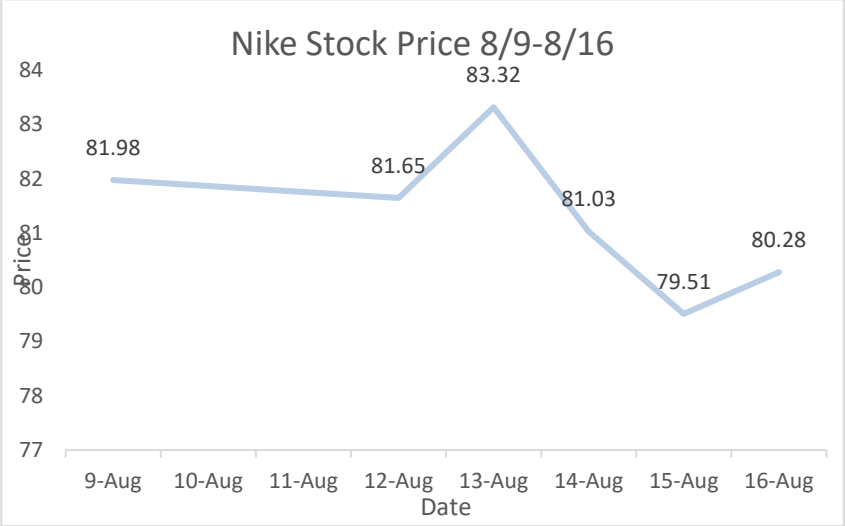
Nike Stock Price Chart 5/21-5/29



On August 12, 2019, Nike announced the implementation of a new maternity policy that provided 18 months of pay and bonuses. This announcement also inspired 3 other athletic companies to add maternity protections for their athletes. Subsequently, Nike's stock price improved from $81.65 to $83.32 from the 12th to the 13th, and trading volume also improved by 3.5 million shares. Both positive and negative press releases seem to have direct effects on the markets. This data was collected from FactSet.

Figure 11

Nike Stock Price Chart 8/9-8/16

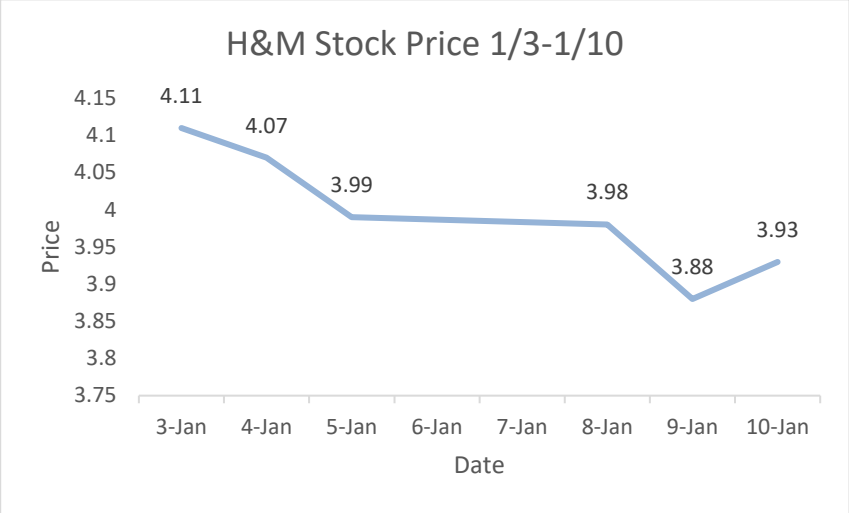


H&M Case Study

In January of 2018, H&M landed in controversy when customers spotted a young black male model on the British H&M site wearing a sweatshirt with the phrase "coolest monkey in the jungle". This occurred on the weekend leading up to January 8th and by Monday news outlets began releasing articles about the racial controversy along with H&M's apology. Trading volume increased by 13.4 million since the previous close and the stock price fell by 2.6%. Like Nike we can see a shock to both trading and stock price because of a DEI-related event.

Figure 12

H&M Stock Price Chart 1/3-1/10



CONCLUSION

The analysis of the literature, survey results, financial analysis, and case studies lead to a conclusion that DEI implementation has an overall positive impact on the brand image as well as the financial performance of fashion apparel companies. Survey results of young adults show that the majority of participants value Diversity, Equity, and Inclusivity in the fashion industry based on 4 constructs of marketing. Analysis of financial data for 15 companies produced mixed but positive results overall. Most of the companies selected have experienced growth in return on equity, sales, and earnings per share. In addition to this data, the three case studies showed shock in stock prices after press releases surrounding either DEI implementation or negative publicity. Some limitations to this research include COVID-19, the short history of DEI in fashion, and the inability to pinpoint one area of change in a corporation as direct causation in financial performance.

LIMITATIONS

The consumer survey has a few limitations that must be considered. The first is the truthfulness of the survey respondents. What they think and what they do can be two different things, and because of this, the results of the survey may not be accurate. Another limitation of the survey is the identities of the pool. Only 43 people took the survey, and of those 43, the majority were white and female which gives a limited perspective in a broader sense outside of women's fashion. Pinpointing financial responsibility for changes in one specific action is almost impossible. It is not certain that the changes, both positive and negative, are a result of

DEI implementation, this is why the survey and case studies were also used to supplement uncertainty.

Another limitation of the 15 companies' financial analysis is that it does not encompass the entire industry to give a complete picture of the effect of DEI. In addition, not every company implemented DEI in the same way or at the same time which makes the comparison more difficult.

The final limitation is that of the COVID-19 pandemic which had a major impact on all industries. This event skews more recent financial data from the trajectory it may have been had the pandemic not shut down the economy.

APPENDIX

Appendix A - Company List by Market Cap. and Group Number

Company	Group	Market Capitalization	Parent Company worth
Abercrombie	1	1.49 billion	
American Eagle	1	2.92 billion	
ASOS	1	1.03 billion	
Gap Inc.	1	4.89 billion	
Levi's	1	1.75 billion	
Nordstrom Inc.	1	3.47 billion	
Urban Outfitters	1	2.46 billion	
Victoria's Secret	1	3.29 billion	
UNIQLO	2	9.6 billion	60.35 billion
Ralph Lauren	2	7.8 billion	
H&M	3	18.06 billion	
Zara	3	13 billion	92.43 billion
Adidas	4	30.06 billion	
Luluemon	4	39.48 billion	
Nike	5	189.53 billion	

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