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# The Business Case for Sustainable Apparel at EILEEN FISHER

**Sophie Rifkin**

Director, Corporate  
Research & Engagement

**Rithu Raman**

Research Associate

**Contributors:**  
Chana Rosenthal (EMBA '22)  
& Christine Tan (MBA '21)

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## The Business Case for Sustainable Apparel at EILEEN FISHER

*An analysis of the financial and societal benefits of prioritizing lower carbon modes of transportation and investing in circular take-back programs at a leading sustainable apparel company*



*(Photo by EILEEN FISHER)*

### **EILEEN FISHER EMBEDS SUSTAINABILITY INTO BUSINESS STRATEGY**

EILEEN FISHER is a women’s clothing brand and retailer that believes that clothes should be “ethical, timeless, well-made” and contribute to a “responsible lifecycle”. A certified B-Corp, EILEEN FISHER has a commitment to “designing clothing that creates minimal environmental and social harm,” and has set goals and targets to help it achieve its sustainability objectives.<sup>1</sup>

As part of its leadership in the sustainable apparel industry, EILEEN FISHER has several initiatives aimed at reducing its environmental impact, two of which we explore here.

- Reducing GHG emissions: The company committed to reduce its absolute carbon emissions from inbound logistics by 2020 by prioritizing more carbon-efficient modes of transportation.
- Reducing clothing waste: EILEEN FISHER was also an early adopter of clothing take-back programs, and its Renew line, launched in 2009, helps customers keep clothing out of landfill by bringing it back to EILEEN FISHER for resale.

### **THE BUSINESS CASE FOR SUSTAINABLE APPAREL**

While many apparel companies prioritize sustainability investments, there is often a lack of knowledge as to how these investments help to drive financial performance. With funding from HSBC BANK USA, the NYU Stern Center for Sustainable Business (NYU Stern CSB) recruited a group of apparel companies, including EILEEN FISHER, to map the key strategies, practices

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<sup>1</sup> [New York State Benefit Corporation Report](#), p3

and sub-practices companies are deploying to achieve their sustainability goals and to monetize these efforts, using our [Return on Sustainability Investment \(ROSI\) framework](#).

Working together with the NYU Stern CSB, EILEEN FISHER sought to monetize the financial and societal benefits of its transition to more carbon efficient transport and of its Renew program in order to facilitate budget and decision-making as EILEEN FISHER continues to implement sustainability initiatives.

### **CASE WALKTHROUGH 1: TRANSITIONING TO MORE CARBON EFFICIENT TRANSPORT**

EILEEN FISHER aims to reduce its absolute CO<sub>2</sub> emissions from inbound logistics (by 20% from a 2015 baseline) by 2020<sup>2</sup> and has prioritized more carbon efficient modes of transportation, such as sea or land shipping. The company is working to reduce its emissions from inbound logistics, while balancing the need to meet with seasonal cycle demand and build in appropriate lead times.

### **ROSI FINDS FINANCIAL BENEFITS**

Although air is the fastest transportation mode, which, importantly, allows companies to increase speed to market, it is also the most expensive by average unit cost of shipping. In an effort to reduce greenhouse gas emissions and transportation costs, from 2015 to 2019, EILEEN FISHER gradually shifted away from air and moved towards sea and trucking transportation modes. As a result, in 2019, the company had spent **~\$1.6 million less in transportation costs** than 2015 cost figures. As of 2020, COVID-19 caused a surge in air transport prices leading to 186% higher transport costs per unit which led to additional savings.

Using the Environmental Defense Fund's value of \$50/ton for cost of carbon<sup>3</sup> as a baseline for our \$50/MT assumption, we were able to calculate the total cost of carbon emissions used year-over-year. We then leveraged the total cost of carbon with the reduction in GHG emissions and determined the total societal cost savings accrued from shifting to sea transport from air at **\$43k in savings** in 2019. By assigning a cost to the capture, **EILEEN FISHER was able to achieve a cumulative societal benefit of ~\$150,000 during this time period.**

### **METHODOLOGY**

EILEEN FISHER provided CSB with data on transportation costs and volume shipped from 2015 to 2019 as well as associated GHG emission reductions. We then calculated the savings accrued as EILEEN FISHER transitioned away from air towards sea and trucking. In addition, CSB monetized the Social Cost of Carbon.

To **monetize transportation associated costs** by standalone shipping mode and mode mix, we reviewed the average unit cost of shipping per mode for the duration of 2015 to 2019. We multiplied it by the total units shipped (volume) per mode to calculate the total transportation cost. We then compared the totals to establish the year over year savings. In doing so, we were able to **calculate savings of \$1.6 million** for 2019 (as compared to 2015 figures) and deduce

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<sup>2</sup> [New York State Benefit Corporation Report](#)

<sup>3</sup> <https://www.edf.org/sites/default/files/expertconsensusreport.pdf>, p7

that **the average shipping cost impact was reduced from \$1.18 in 2015 to \$1.017 in 2019 per unit**. Had EILEEN FISHER not shifted away from air transport in the period between 2015 and 2019 they would have had to spend an **additional \$637K in transportation costs**.

Additionally, if air freight pricing had not been impacted by COVID-19, EILEEN FISHER could have seen a savings increase of \$800k for 2020 based on the estimated units shipped. For comparison the average shipping cost would have further reduced to \$0.94 per unit in 2020 if cost per unit had not increased due to COVID-19.

We also leveraged the unit quantities and mode mix calculations for shipping against the average carbon intensity value to determine the GHG emission reduction savings. It allowed us to determine the overall reduction in GHG emissions impacted by the shift in mode of shipping.

## **CONCLUSION**

By changing its transportation mix, EILEEN FISHER was able to reduce costs and decrease its societal cost of carbon. This shift also helps EILEEN FISHER mitigate against future supply chain disruptions that could impact its supply as well as increase pricing. For example, based on the rise in estimates for 2020 air transport due the pandemic (\$1.75 to \$5.00 average unit cost), and future transport disruptions due to climate change, we can anticipate that the price of air transport could continue to increase. Therefore shifting the shipping mode, not only helps EILEEN FISHER meet its environmental goals, but also helps to preserve financial sustainability.

As companies look to better communicate their environmental progress and think about how to manage future regulatory risk around carbon taxes, the social cost of carbon is a useful metric. By conducting this ROSI analysis, EILEEN FISHER was able to understand the financial impact of making this transportation mode shift but also better communicate to its stakeholders how this change in transportation may prepare the company for a regulatory environment that places a price on carbon.

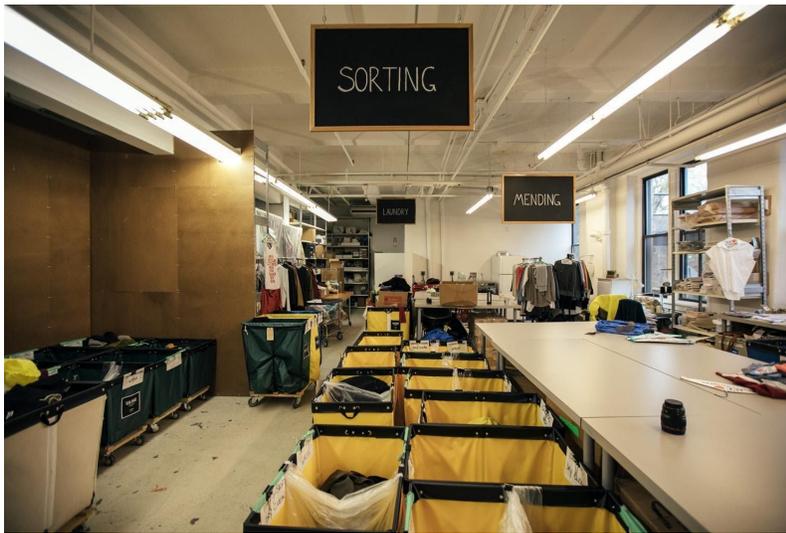
The ROSI analysis also helped EILEEN FISHER uncover where it might strengthen and improve its data collection and tracking. The analysis required collaboration and data aggregation from multiple groups, and the process helped underscore where to improve these processes to ensure that the financial performance of its sustainability programs is being effectively monitored.

## CASE WALKTHROUGH 2: INVESTING IN CIRCULAR TAKE-BACK PROGRAMS (RENEW)

*“In the U.S. 85% of clothing ends up in landfills. The fashion industry creates 1.2 billion tons of greenhouse gas emissions a year; it’s one of the most polluting industries. The traditional linear “Take-Make-Dispose” model greatly contributes to this negative impact, so we are committed to working within a circular model.”<sup>4</sup> -- Eileen Fisher*

In 2009, EILEEN FISHER established a program to take back old clothes from customers and refurbish and resell them, or convert them into other products such as pillows.

These efforts originally aimed to raise funds for EILEEN FISHER Foundation grants to nonprofits supporting women and girls. As its take-back and resale program continued to grow in popularity, EILEEN FISHER recognized the potential of the program as a powerful new circular business model. In 2015, EILEEN FISHER brought the program into the company and rebranded it as Renew.



(Photo by EILEEN FISHER)

The Renew program strives to keep the clothing in use as long as possible and finds ways to incorporate the garments into new products when refurbishment is not possible.<sup>5</sup> Customers return a pre-owned EILEEN FISHER garment to a US EILEEN FISHER or Renew store. If a physical location is inaccessible, the customer ships their item directly to an EILEEN FISHER recycling center. In return, the customer receives \$5 in Renew Rewards for each piece, redeemable in any EILEEN FISHER store or online. Garments that are brought to a physical store are bagged and shipped to the recycling center where a team of specialists sort them by condition. Garments ready to be resold are machine-washed or professionally dry cleaned with environmentally responsible cleaning processes.

<sup>4</sup> [Eileen Fisher Annual Benefit Corporation Report, 2018](#)

<sup>5</sup> [Eileen Fisher Annual Benefit Corporation Report, 2018](#)

Since 2009, EILEEN FISHER has received 1.5 million pieces from its customers. As it continues to grow each year, EILEEN FISHER must build the appropriate systems, operations and infrastructures to scale. Through the ROSI engagement, the NYU Stern CSB team set out to uncover how the company's investments in circular business models through the Renew program were driving both tangible and intangible benefits to the company.

### **APPLYING ROSI**

NYU Stern CSB analyzed four benefit categories that informed the monetization approach for valuing the Renew program, which included 1) the Renew profit that is generated for EILEEN FISHER 2) earned media generated due to increased visibility from the Renew program 3) the incremental profit generated for EILEEN FISHER due to Renew customers buying additional parent company products and 4) reduction in EILEEN FISHER customer acquisition costs due to Renew attracting new customers.

We also aggregated the different costs associated with running the program. In order to incentivize customers to participate in the Renew program, \$5 gift cards are provided per garment. If the customer returns a garment by mail, the cost of shipping to warehouses is paid by the customer. However, shipping costs arose as sellable items were sent from the recycling locations to stores. For clothing items not in sellable condition, EILEEN FISHER incurred costs to discard or to shred the fabric into fibers for recycling. For garments in sellable condition, there were costs associated with refurbishment such as overdyeing or resewing. Other costs included downstream operating costs to prep the garment to be resold in-store.



*(Photo by EILEEN FISHER)*

**After calculating the benefits and associated costs, ROSI identified \$1.8 million in net benefits for 2019.** This result illustrates the monetary and intangible value of the Renew program to EILEEN FISHER as it further expands the company's customer base.

*Benefit 1: Renew Profit*

For monetizing Renew profit, there were two variables: 1) revenue-related items and 2) cost-related items. The main source of revenue was generated from Renew sales whereas the associated costs were items such as the cost of gift cards to customers, marketing spend, operational costs (such as shipping and warehousing), product refurbishment costs, and recycling costs. To calculate the profit value, we subtracted costs from revenue. **The 2019 estimate was \$1.4 million.**

*Benefit 2: Earned Media Generated Due to Increased Visibility From the Renew Program*

For monetizing the earned media generated due to the increased visibility from the Renew program, there were two key variables: 1) number of unpaid earned media placements generated due to the Renew program and 2) the average cost per media placement. We multiplied these two variables to calculate the avoided cost of earned media. **The 2019 estimate was \$391,406.**

*Benefit 3: Incremental EILEEN FISHER Profit Generated Due to Attraction of Renew Customers to Parent Company Products*

For monetizing incremental EILEEN FISHER profit generated by Renew customers who purchase parent company products, there were three key variables: 1) number of Renew customers who purchase EILEEN FISHER products 2) EILEEN FISHER's profit margin and 3) average spending per customer at EILEEN FISHER. We multiplied these three variables to calculate the incremental profit. **The 2019 estimate was \$12,450.**

Additionally, the take-back program also led to customer conversion of gateway customers who would not otherwise have been familiar with the EILEEN FISHER brand. As a result of shopping with Renew, a number of new customers, in a previously untapped demographic, began shopping with EILEEN FISHER.

*Benefit 4: Reduction in EILEEN FISHER Customer Acquisition Costs Due to Renew Customer Base Purchasing Parent Company Products*

For monetizing the reduction in EILEEN FISHER customer acquisition costs due to the Renew customer base purchasing parent company products, there were two key variables: 1) EILEEN FISHER's customer acquisition cost, which is marketing spend divided by the number of customer acquisitions and 2) number of Renew customers who purchase any EILEEN FISHER parent company product for the first time. We multiplied these two variables to calculate the reduction in customer acquisition costs. **The 2019 estimate was \$2,583.**

Although these last two benefit estimates are minimal in comparison to the previous two benefit estimates (given the level of specificity of the metrics and the overall size of the program), they provide additional insight into the value of the Renew program and how EILEEN FISHER can continue to invest in this business line to expand its customer base. The company can consider

collecting these data points moving forward in order to further refine the monetization process and to inform decision-making on future program expansion.

## CONCLUSION

The Renew circular apparel program generated a **total net benefit of \$1.8 million for EILEEN FISHER in 2019**. While we were unable to access data for Renew prior to 2019, clearly circularity is a program that provides environmental and financial benefits. Other metrics could include the social cost of carbon in terms of reduced emissions coming from cleaning and reusing a garment versus producing and transporting a new one. “It’s so important to be able to speak to the value created by sustainability and circular work. This project has made huge strides towards uncovering that value and has shown us what we need to measure to truly understand the benefits we are bringing to our brand,” said Cynthia Power, Director of the EILEEN FISHER Renew program.



*(Photo by EILEEN FISHER)*

## CLOSING THOUGHTS

Applying ROSI helped EILEEN FISHER understand how its sustainability initiatives can drive positive financial performance. While arriving at the final net benefit number was an important part of the analysis, the process also helped uncover gaps in data collection and aggregation and underscored how better collection methods could generate a deeper understanding of how sustainability drives value. For example, while several of the benefits for the Renew program resulted in low financial ROI, it’s our belief that with better and more consistent data analysis and tracking that this value will grow over time.

The analysis also uncovered some of the challenges apparel companies may face as they prioritize sustainability while also working to ensure business success. For example, there is an environmental and social cost to shipping more products by air, but there may be financial costs if this transportation shift impacts a company’s ability to get the right product to stores in time. Failure to do so can result in negative outcomes such as excess inventory, which has its own

sustainability and financial impacts. Secondly, companies may be concerned that resale programs could cannibalize main line sales, thus cutting into profits. These types of unintended outcomes must be understood and managed, and utilizing a systems approach to implementing these programs may help companies to better understand the various outcomes. Our hope is that ROSI can help companies collect the data needed to help them make more strategic decisions, thus integrating sustainability into business planning decisions in order to understand what tradeoffs (if any) exist, and how to address them.

“Sustainability work is often viewed as a cost center. However, working with NYU on the ROSI project has demonstrated the monetary advantages of our sustainability-related work. This can only help support the business case for future activities to help us reach both our sustainability and revenue goals,” said Amy Hall, Vice President of Social Consciousness.

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***We would like to thank our EILEEN FISHER collaborators, specifically Amy Hall, Cynthia Power, Dinc Urkun, and Angeline Kong for invaluable contributions to this project. We also thank Chana Rosenthal (EMBA '22) and Christine Tan (MBA '21), who assisted meaningfully to the case narrative.***

## **APPENDIX I**

### **Monetization Approach for Shifting Transportation Modes at EILEEN FISHER**

There were two main cost categories that informed the monetization approach, which include transportation and societal costs (i.e. cost of carbon emissions). Most of the analysis relied on internal data from EILEEN FISHER, with the exception of the social cost of carbon (\$50 / MT of CO<sub>2</sub>e), which was sourced from the Environmental Defense Fund.

#### **Transportation Costs**

For monetizing the decrease in transportation costs as the company shifted away from air and towards sea and trucking shipping modes, there were two key variables: 1) units shipped per year by shipping mode and 2) average unit cost per shipping mode.

To monetize the benefit of decreased transportation costs, there were several metrics that were reviewed so we will highlight the significant ones. We first multiplied the units shipped by the average unit cost for each shipping mode (air, sea, trucking) and year that was included in the analysis (2015-2020). We then summed the annual total transportation cost across shipping modes and calculated year-over-year savings (or cost). We also compared the 2015 total transportation cost to subsequent years to calculate the decrease in cost over time.

Additionally, we calculated the transportation cost for each shipping mode, had the company implemented the transportation mode mix from 2015. This allowed us to analyze the savings magnitude annually, given that air, the most expensive shipping mode, was a substantial portion of the 2015 transportation mix. In order to calculate this, we first multiplied the total number of units for each year by the 2015 transportation mix percentage for each of the shipping modes. This resulted in the annual number of units per shipping mode that reflected the 2015 transportation mix. Next, we multiplied this annual number by the average unit cost for each shipping mode. This resulted in the annual cost by shipping mode, which was then summed to receive the total transportation cost by year. Last, we subtracted the annual transportation cost amounts we previously calculated (as described in the prior paragraph) from the annual cost amounts using the 2015 transportation mode mix. The resulting annual number illustrates the savings benefit accrued to EILEEN FISHER by shifting away from air and towards sea and trucking shipping modes. In 2019, the company saved \$1.6 million by decreasing its usage of air as a shipping method as compared to 2015 cost figures.

The figures below show key components that were included in the analysis, such as the data input tables and the monetization model.

### Transportation Cost Monetization Inputs:

2015			Average Unit Cost (2015-2019, 2020 pricing without COVID)		
Ship Mode	Units	Annual %	Air		
Air			Sea		
Sea			Trucking		
Trucking					
Total	-				

2016			Average Unit Cost (2020)		
Ship Mode	Units	Annual %	Air		
Air			Sea		
Sea			Trucking		
Trucking					
Total	-				

2017		
Ship Mode	Units	Annual %
Air		
Sea		
Trucking		
Total	-	

2018		
Ship Mode	Units	Annual %
Air		
Sea		
Trucking		
Total	-	

2019		
Ship Mode	Units	Annual %
Air		
Sea		
Trucking		
Total	-	

S2020		
Ship Mode	Units	Annual %
Air		0%
Sea		0%
Trucking		0%
Total	-	

Pro-rating Tool for 2020		
Number of Seasons Provided	Number of Seasons in a Year	Pro-rate Factor
		0

### Monetization of Transportation Costs:

	2015	2016	2017	2018	2019	2020*	2020* (using 2015-2019 unit cost pricing)
<b>Air Shipments</b>							
Total Cost of Air Shipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Units/Year	-	0	-	0	0	-	-
Total Cost of Air Shipment Using 2015 Transportation Mode Mix	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Units/Year Given 2015 Mode Mix	-	0	-	0	0	-	-
<b>Sea Shipments</b>							
Total Cost of Sea Shipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Units/Year	-	-	-	-	-	-	-
Total Cost of Sea Shipment Using 2015 Transportation Mode Mix	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Units/Year Given 2015 Mode Mix	-	-	-	-	-	-	-
<b>Trucking Shipments</b>							
Total Cost of Trucking Shipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Units/Year	-	0	-	0	0	0	0
Total Cost of Trucking Shipment Using 2015 Transportation Mode Mix	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Units/Year Given 2015 Mode Mix	-	0	-	0	0	0	0
<b>Air: Average Unit Cost</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Sea: Average Unit Cost</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Trucking: Average Unit Cost</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Transportation Cost-Related Items</b>							
Total Transportation Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Transportation Cost Using 2015 Mode Mix	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Savings (Cost) (YoY)	-	\$0	\$0	\$0	\$0	\$0	\$0
Savings (Cost) in Relation to 2015 Transportation Cost	-	\$0	\$0	\$0	\$0	\$0	\$0
Transportation Savings (Cost) from Shifting from 2015 Mode Mix	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Average Transportation Cost by Unit (USD / Unit)</b>	<b>\$0.000</b>						

*Note: 2020 annual estimated figures are projections based on Spring 2020 actual figures*

## Societal Cost

For monetizing the decrease in societal cost (i.e. cost of carbon emissions) due to the shift away from air and towards sea and trucking shipping modes, there were two key variables: 1) carbon emissions generated per year by shipping mode and 2) units shipped per year by shipping mode.

To monetize this benefit, we calculated the total carbon emissions generated per year by summing the carbon emissions generated by all three shipping modes. We then determined the year-over-year carbon reduction and multiplied it by the social cost of carbon (\$50 per MT CO<sub>2</sub>e) to receive the monetary benefit of reducing the social cost of carbon. In aggregate, from 2015-2019, the company created ~\$150,000 in societal benefit by reducing its carbon emissions.

Similar to the transportation costs monetization section, we calculated carbon emissions reduction in relation to the 2015 transportation mode mix. We first calculated the carbon emissions amount per unit by shipping mode by taking the carbon emissions generated annually and dividing it by the annual number of units shipped by shipping mode. Next, we took the resulting annual number (by shipping mode) and multiplied it by the number of units shipped based on the 2015 transportation mix (which was previously calculated) for each shipping mode. We summed the total carbon emissions across shipping modes by each year and compared it to the total carbon emissions generated by year (that was previously calculated) to determine the reduction in carbon due to the company's transportation shift.

### **Societal Cost Monetization Inputs:**

2015		Social Cost of Carbon (\$ / MT CO <sub>2</sub> e)
Ship Mode	GHG Emissions (MT)	\$50
Air		
Sea		
Trucking		
<b>Total</b>	-	

2016	
Ship Mode	GHG Emissions (MT)
Air	
Sea	
Trucking	
<b>Total</b>	-

2017	
Ship Mode	GHG Emissions (MT)
Air	
Sea	
Trucking	
<b>Total</b>	-

2018	
Ship Mode	GHG Emissions (MT)
Air	
Sea	
Trucking	
<b>Total</b>	-

2019	
Ship Mode	GHG Emissions (MT)
Air	
Sea	
Trucking	
<b>Total</b>	-

## Monetization of Societal Costs:

	2015	2016	2017	2018	2019	2020*	2020* (using 2015-2019 unit cost pricing)
<b>Air Shipments</b>							
Units/Year	-	0	-	0	0	-	-
GHG Emission MT CO2e/Year	-	-	-	-	-	-	-
GHG Emission MT CO2e/Unit	-	-	-	-	-	0.000000	0.000000
Carbon Intensity (MT CO2e/1,000 Units)	-	-	-	-	-	-	-
<b>Sea Shipments</b>							
Units/Year	-	-	-	-	-	-	-
GHG Emission MT CO2e/Year	-	-	-	-	-	-	-
GHG Emission MT CO2e/Unit	-	-	-	-	-	-	-
Carbon Intensity (MT CO2e/1,000 Units)	-	-	-	-	-	-	-
<b>Trucking Shipments</b>							
Units/Year	-	0	-	0	0	0	0
GHG Emission MT CO2e/Year	-	-	-	-	-	-	-
GHG Emission MT CO2e/Unit	-	-	-	-	-	0.000000	0.000000
Carbon Intensity (MT CO2e/1,000 Units)	-	-	-	-	-	-	-
<b>GHG / Social Cost-Related Items</b>							
Total GHG Emissions (MT CO2e / Year)	-	-	-	-	-	-	-
GHG Reduction (MT CO2e)	-	-	-	-	-	-	-
Carbon Intensity (MT CO2e / 1,000 Units)	-	-	-	-	-	-	-
Social Carbon Benefit	-	\$0	\$0	\$0	\$0	\$0	\$0
GHG Emissions Using 2015 Mode Mix	-	-	-	-	-	-	-
GHG Emission Reduction in Relation to 2015 Mode Mix	-	-	-	-	-	-	-

\*Note: 2020 annual estimated figures are projections based on Spring 2020 actual figures

## Monetization Conclusion

After reviewing EILEEN FISHER's decision to shift away from air and towards sea and trucking transportation modes, there were several approaches to monetizing benefits such as the gradual reduction in transportation costs and increase in societal benefits by reducing carbon emissions. These monetization approaches can be refined over time to further illustrate trends in the company's continued shift to more sustainable methods of transportation.

## APPENDIX II

### Monetization Approach for Valuing the Renew Resale Program at EILEEN FISHER

There were four main benefit categories that informed the monetization approach for valuing the Renew program, which include 1) the Renew profit that is generated for EILEEN FISHER 2) the incremental profit generated for EILEEN FISHER due to the attraction of Renew customers to parent company products 3) reduction in EILEEN FISHER customer acquisition costs due to Renew customers purchasing products and 4) earned media generated due to increased visibility from the Renew program.

### Renew Profit

For monetizing Renew profit, there were two groups of variables: 1) revenue-related items and 2) cost-related items. The main source of revenue was generated from Renew sales whereas the associated costs were items such as the cost of gift cards to customers, marketing spend, operational costs (such as shipping and warehousing), product refurbishment costs, and recycling costs. To calculate the profit value, we subtracted costs from revenue.

<b>CALCULATED: Profit from Renew Program</b>	<b>FY2018</b>	<b>FY2019</b>
<b>Revenue Components</b>		
Renew Revenue	\$ -	\$ -
<b>Total Revenue</b>	\$ -	\$ -
<b>Cost Components</b>		
Cost of Gift Cards Paid to Customers	\$ -	\$ -
Renew Marketing Costs	\$ -	\$ -
Operational Costs (Shipping and Warehouse)	\$ -	\$ -
Product Refurbishment Costs	\$ -	\$ -
Recycling Cost for Non-Sellable Items	\$ -	\$ -
<b>Total Cost</b>	\$ -	\$ -
<b>Profit from Renew Program</b>	\$ -	\$ -

### **Earned Media Generated Due to Increased Visibility From the Renew Program**

For monetizing the earned media generated due to the increased visibility from the Renew program, there were two key variables: 1) number of unpaid earned media placements generated due to the Renew program and 2) the average cost per media placement. We multiplied these two variables to calculate the avoided cost of earned media.

<b>CALCULATED: Benefits of Unpaid Earned Media</b>	<b>FY2018</b>	<b>FY2019</b>
Number of Unpaid Media Placements	0	0
Average Cost of Media Placement	\$ -	\$ -
<b>Avoided Cost of Earned Media</b>	\$ -	\$ -

### **Incremental EILEEN FISHER Profit Generated Due to Attraction of Renew Customers to Parent Company Products**

For monetizing incremental EILEEN FISHER profit generated by Renew customers who purchase parent company products, there were three key variables: 1) number of Renew customers who purchase EILEEN FISHER products 2) EILEEN FISHER's profit margin and 3) average spending per customer at EILEEN FISHER. We multiplied these three variables to calculate the incremental profit.

<b>CALCULATED: Incremental EF Profit from Renew</b>	<b>FY2018</b>	<b>FY2019</b>
# of Renew Customers who Purchase EF Products (Gateway Customers)	-	-
EF Profit Margin	0%	0%
Average Spending per Customer at EF	\$ -	\$ -
<b>Increase in EF Profits</b>	\$ -	\$ -

### **Reduction in EILEEN FISHER Customer Acquisition Costs Due to Renew Customer Base Purchasing Parent Company Products**

For monetizing the reduction in EILEEN FISHER customer acquisition costs due to the Renew customer base purchasing parent company products, there were two key variables: 1) EILEEN FISHER's customer acquisition cost, which is marketing spend divided by the number of

customer acquisitions and 2) number of Renew customers who purchase any EILEEN FISHER parent company product for the first time. We multiplied these two variables to calculate the reduction in customer acquisition costs.

<b>CALCULATED: EF Reduction in Customer Acquisition Costs</b>		<b>FY2018</b>	<b>FY2019</b>
Customer Acquisition Cost	\$	-	\$ -
# of Renew Customers who Purchase Any EF Item for the First Time		0	-
<b>Reduction in Customer Acquisition Costs</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>

**Monetization Conclusion**

After calculating the benefits, and associated costs, that were previously highlighted, the monetization approach resulted in **\$1.8 million** in net benefits for 2019. This result illustrates the monetary and intangible value of the Renew program to EILEEN FISHER as it further expands the company’s customer base.