



Global Sourcing Options in Textile and Apparel Industry - A Review

Vandana Gupta

PhD. Scholar, Dept. Of Textile and Apparel Designing, Chaudhary Charan Singh Haryana Agricultural University, Hisar

Neha Gupta

Teaching Associate, Deptt of Haryana School of Business, Guru Jambheshwar University of Science and Technology, Hisar

Nirmal Yadav

Professor, Dept. Of Textile and Apparel Designing, Chaudhary Charan Singh Haryana Agricultural University, Hisar

ABSTRACT

The textile and apparel industry is always evolving and the latest evolution is the transformation from a local or regional business into a global industry involving multiple companies and inter-related business partnerships spanning many countries. Most of the time the raw materials are obtained from one part of the world, the manufacturing is done thousands of miles away and the end products are shipped to an apparel supplier in an entirely different market half way around the world. This makes the role of textile and apparel companies challenging and extremely important as the source serves as a common link bringing these different suppliers and vendors together to form a profitable enterprise for everyone. The very interesting thing of textile and apparel industry is it's constant migration from high cost nations to low cost nations. The reason for this is that the success of any business depends on the price and quality of the supply. This review explores the reasons of global sourcing in textile and apparel industry by different countries.

KEYWORDS : Textile and Apparel Industry, global sourcing, sourcing options

INTRODUCTION

PERSPECTIVES FOR CONSIDERATION OF GLOBALIZATION

Globalization can be defined as a process whereby the world's people are becoming increasingly interconnected in all facets of their lives-cultural, economic, political, technical, and environmental. In the last 30 years the sources and methods used by textile and apparel professionals for procuring textile and apparel products for their customers have gone profound changes. In mid 20th century, the vast majority of textile and apparel products available to consumers in developed countries were produced within the domestic economy of each. As we progressed through the 1980s and 1990s into 21st century, however, the source of these products changed from domestic to international to multinational to global as textile and apparel professionals sought the ever-elusive supplies of merchandise that would both satisfy their customers and generate level of profit necessary to sustain their business. The entire practice is to get the right product at the right place on the right time and ensure business revenue to everyone.

Sourcing is the process of determining the most cost-efficient vendor of services, materials, production, or finished goods, or a combination of these, for delivery within an identifiable time frame. Sourcing priorities have contributed to the globalization of trade by driving the apparel manufacturing industry in particular around the world. Global Sourcing is the practice of sourcing from the global market for goods and services across geographical boundaries, aims to exploit global efficiencies in the delivery of product or service. Textile and apparel industry in every country have its own advantages and disadvantages which lead to sourcing by different firms (Kunz & Garner, 2011). (Xiaoyang, 2006) compared textile and apparel industries of India and China and revealed that Chinese companies are more competitive in terms of cost and productivity because of the large capacity related to machinery, production and more disciplined labor, small orders are not attractive to them. On the other hand, Indian companies are more flexible and their strength is in small batch orders and customization. (Pfohl & Shen 2008) conducted a survey on "Apparel supply chain between Europe and china, reveals that apparel compliances source in Turkey for small and middle quantity, but China for high volume. In respect of sourced products Turkey is an important sourcing market for T-shirts, sweaters and jeans, while jackets, coats, knitted clothes and trousers are sourced numerously in China (Pfohl & Shen 2008) Reasons of global sourcing by different countries in relation to textile and apparel industries are discussed as follows:-

i. Sourcing for low cost labor:-

The manufacturing of apparel is highly labor-intensive and cannot yet be replaced by any machines. Hence, the apparel industry has always shifted its production to the countries with the lowest wages. Therefore, the textile and apparel industries represent one of the most dynamic sectors in the global trade.(Abernathy et.al., 2004) Although the US and the European Union (EU)'s apparel industries were protected through special textile agreements first under the General Agreement on Tariffs and Trade (GATT) and later under the World Trade Organization (WTO), this did not stop them from undergoing several cost-related production migrations since the 1950s, all of which involved Asia. First, the industry shifted from North America and Western Europe to Japan in the 1950s and early 1960s. Later, in the 1970s and early 1980s, the second migration from Japan to Hong Kong, Taiwan and South Korea took place.(Adler, U. (2002) These countries dominated global textile and clothing exports, until a third shift happened in the late 1980s and the 1990s, leading the industry from the "Big Three" mainly to mainland China, but also to various Southeast Asian countries (Indonesia, Thailand, Malaysia and the Philippines) and South Asian countries (Sri Lanka, Bangladesh and India) (Altenbeck & Qiao-Süß,2004 ,) With its growing middle class, China is beginning to shift from an export-based economy to a domestic consumption economy. This shift combined with increasing wages, growing labor shortages and domestic inflation, forcing international apparel manufacturers to re-evaluate their sourcing strategies. McKinsey & Company in 2011 conducted a survey, among leading apparel buyers in Europe and the US regarding their sourcing strategies and plans. Respondents indicated that in the face of increasing labor cost in China, companies were starting to explore alternatives. Respondents also stated that they saw Bangladesh as the next likely sourcing destination. They cited prices and capacity as Bangladesh's key advantages.

ii. Infrastructure and Logistics :

A countries' infrastructure affects a firm's ability to produce goods and move them in and out of the country in a timely manner. Access to ports having frequent shipping traffic to and from U.S can make even geographically distant locations competitive from a shipping standpoint. Shipping time largely depends on the frequency of shipping from a port and the volume of business conducted. According to U.S retailers, shipping times to the west coast of the U.S generally average from 12 to 18 days from Taiwan, Hong Kong, and China, but as much as 45 days from some member countries of the Association of South East Asian Nations (ASEAN).

The cost of inefficiency in two Asian countries, namely Bangladesh and India, are well documented. According to OECD (2004), Indian companies suffer a 37 per cent cost disadvantage in shipping containers of clothing products from Mumbai/ Chennai to the east coast of the United States, relative to similar container shipments originating in Shanghai. This cost disadvantage arise from delays and inefficiencies in Indian ports. (<http://www.usitc.gov/publications/pub3671/chap3.pdf>)

iii. Raw Material

The availability of cost – competitive quality raw material (fibers, fabrics, trims etc.) in a country or region is important because it affects production lead times and reliability, as well as the rapid provision of samples before order placement. The local or regional raw material greatly improves a country's ability to respond to orders with shorter lead times. With low cost domestic supply of cotton and low labor costs, Pakistan has a good track record for pure cotton apparel production for items such as male T-shirts and cotton jerseys. Bangladesh still has an underdeveloped apparel and fabric manufacturing industry, although it also has very low labor costs and cotton prices.

Thus Bangladesh can be targeted for sourcing of cotton garments of basic design and standard quality. India has a diverse and integrated fabric and apparel industry, and it now has lower labor costs and cheaper cotton prices than China. These and other trends mean that India will likely gain a comprehensive competitive edge over China in the future. (Walter, 2012). Marwaha, 2011 in his study reveals the share of major cotton producing countries as per US\$ data of 2009, Asia was the largest producer of cotton with only 3 Countries, viz, China, India & Pakistan together contributing 63% share in total global cotton production. Fabric availability affects lead times not only for production of goods for delivery, but also for production of samples prior to order placement (U.S International Trade Commission, 2004)

iv. Production Capacities:-

According to (Birnbaum 2002), today's sourcing decisions are increasingly based on "which factories can best meet customer's ever increasing requirements." He noted that buyers go to China because Chinese factories give the customers what they want, from pattern making to final stock garment shipment. Tait, 2002 argued that the level of service required by buyers is evolving and that a "full package from design to delivery of the finished product, inclusive of fabric and trim sourcing, right down to the delivery of store-ready items to individual shops", is now in demand. Apparel production vendors, historically called contractors, are firms that take orders for apparel products from other firms and that either produce or arrange for the production of those specific garments. There are three primary forms of production contractors:-

- CMT (cut, make and trim)
- ODM
- Full package (Kunz GI & Garner MB. 2011)

Summary of Production capabilities of countries with examples

Functional capabilities	Supplier tier	Recommendation : Key Facilities	Country example
Cut, Make, Trim (CMT Assembly)	Marginal supplier	Promote Upstream FDI, Government & Regional organisations, Lead firm to commit long – term supply	Cambodia, Caribbean, Vietnam
Package Contractor (OEM)	Preferred supplier	Invest in machinery and logistics. Private investment.	Bangladesh Indonesia Sri Lanka Mexico
Full Package Provider (ODM)	Strategic supplier	Next step: Enter new emerging markets as a lead firm	Turkey, EU, India, China

(Gereffe G & Frederick S, 2010)

ETHICAL ISSUES:

While every factory needs to improve working conditions, those that directly endanger workers health and safety must take priority. Problems found in the textile industry are health risks due to: pesticides and chemicals; fire safety and evacuation routes; ergonomic facilities; temperature, noise and dust; and storage of chemicals.

Social responsibility plays an increasingly important role in textile and apparel export and imports and selection of a supplier. There is a wide spread concern about child labor in the marketplace. Western non-government organisations, the media and labor unions advocate for Sweatshop-free sourcing of clothing. They are putting pressure on international buyers to source "ethically correct". The environmental impact of textile production is considerable and starts with the use of pesticides during the cultivation of natural fibres or the emissions during the production of synthetic fibres. From that moment on, a number of processes are applied, using thousands of different chemicals, to process the fibres and to reach the final stage of textile end product. Now environmental compliance requirements and green initiatives are moving to the forefront. Consumers are demanding that lead firms become more responsible and transparent about their practices, success of ethical clothing brands (e.g., Patagonia) is a testament to the power of consumer demand and green credentials. (Cattaneo et. al., 2010). Pantonia (U.S., based company) are concerned about the quality of the product and "Environmental aspects are part of that." Patagonia protects the environment through its clothing designs, which are simple, versatile, and designed to last a long time. Many garments are made from Synchilla, a fabric woven from recycled soda bottles. Human resources also get attention at Patagonia, which has been recognized as being particularly family friendly. New mothers and fathers get two months of paid child-care leave, and an on-site child-care program lets employees slip in to see their children during the day. Pantagonia also work with factories in Texas, as they hire disabled workers. Additionally, the environmental benefits from these efforts will reach even further, being felt directly in the countries where these facilities operate, and indirectly by the consumers around the world who are demanding clothing produced in a more sustainable fashion.

Conclusion

The sourcing decisions facing textile and apparel manufacturers are daunting and far more complicated than commonly acknowledged. With expanding global trade, there are more potential producers in a wider variety of countries. With consumers demanding more variety, more fashion, more product access and lower prices, pressure on suppliers to search for new sources of supply will only increase. Modern retailers place greater risk arising from added variability of product demand further up the supply chain, forcing suppliers to balance the direct costs of sourcing against the indirect consequences of being left "holding the bag" of inventory. Until 1990's sourcing was primarily viewed from political/government and economic/ business perspective. Now social / labor perspectives, including environmental and economic sustainability, are also considered.

REFERENCES

1. Abernathy, F.H., Volpe, A & Weil D. (2004). *The Apparel and Textile Industries after 2005. Prospects and Choices*. Harvard Center for Textile and Apparel Research. Cambridge 2004. | 2. Adler U. (2002). Strukturwandel als Tagesgeschäft – eine weitere Zwischenbilanz zur Entwicklung des Bekleidungs-gewerbes. In: ifo Schnelldienst, 55(2002)19, p. 31-38. | 3. Altenbeck, D & Qiao-Süß F. (2004). Steuerlich Aspekte beim Wareneinkauf und bei Investitionen in China. In: BME / Bogaschewsky, R. (Eds.): *Einkaufen und Investieren in China*. Series: BME-Leitfaden Internationale Beschaffung, Part: 2. BME, Bremen, 2004, pp. 157–169. | 4. Anonymous. THE COMPETITIVENESS OF THE TEXTILE AND APPAREL SECTOR IN SELECTED COUNTRIES. Retrieved on 11th march 2014 from <http://www.usitc.gov/publications/pub3671/chap3.pdf> | 5. Anonymous. (2008). Globalisation, the changed Global Dynamics of the Clothing and Textile value Chains and the Impact on Sub-Saharan Africa. United Nations Industrial Organisation. Working paper. <http://books.google.co.in/books?id=3cr3qhV-QYQC&printsec=frontcover#v=onepage&q&f=false> | 6. Birnbuam, D. (2002) "Life after Quota," just-style.com. <http://books.google.co.in/books?id=3cr3qhVQYQC&printsec=frontcover#v=onepage&q&f=false> | 7. Cattaneo, O., Gereffi, G., and Staritz, C. (2010). Global Value Chains in a Post-crisis World. The International Bank for Reconstruction and Development/ The World Bank. http://www.cggc.duke.edu/pdfs/Gereffi_GVCs_in_the_Postcrisis_World_Book.pdf | 8. Gardiner, L. Outdoor clothing manufacturer Patagonia Recognized for Corporate responsibility. Markula Center for applied Ethics. <http://www.scu.edu/ethics/publications/ie/v8n1/synchilla.html> | 9. Gereffi, G., & Frederick, S.(2010). The Global Apparel Value Chain, Trade and the Crisis: Challenges and Opportunities for Developing countries. Policy Research Working Paper 5281.retrieved on 5th Jan 2013 from <https://openknowledge.worldbank.org/bitstream/handle/10986/3769/WPS5281.pdf?sequence=1> | 10. Kunz, G.J., & Garner, M.B. (2011). *Going Global : The Textile and Apparel Industry*. Second edition. Fairchild Books, New York | 11. Marwaha, S.(2011). Impact factors on global cotton price. *The Indian Textile Journal*. July,pp.72-79 | 12. McKinsey's apparel CPO survey.(2013).The global sourcing map- balancing cost, compliance, and capacity. Retrieved on 23rd Feb 2014 from http://www.mckinsey.de/sites/mck_files/files/2013mckinsey_apparelposurvey.pdf | 13. Pfohl, H.C., & Shen, X. (2008). Apparel Supply Chain between Europe and China: A guide to Apparel Sourcing and Distribution in China. Retrieved on 4th feb 2014 from <http://www.scnm.tudarmstadt.de/media/bwl2/download/aktuelledownloads/20081118apparelsupplychainleserprobe.pdf> | 14. Tait, N .(2002). "Towards 2005: The Survival of the Fittest." just-style.com <http://books.google.co.in/books?id=3cr3qhVQYQC&printsec=frontcover#v=onepage&q&f=false> | 15. U.S International Trade Commission. (2004). *Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign suppliers to the U.S Market*. VOL. 1 Washington D.C retrieved on 12 Feb 2014 from <http://www.usitc.gov/publications/docs/pubs/332/pub3671/pub3671.pdf> | 16. Walter. (2012). *Textile and Apparel Sourcing: The Rise of South East Asia*. Retrieved on 2nd September 2013 from <http://www.chinasourcingblog.org/2012/01/textile-and-apparel-sourcing-t-1.html> | 17. Xiaoyang, T.(2006). Comparing Technological Innovation of Textile Industries in India and China. Retrieved on 12th Feb 2014 from <http://indiachainstitute.org/wp-content/uploads/2010/03/Xiaoyang-Tang-Comparison-Textile.pdf>