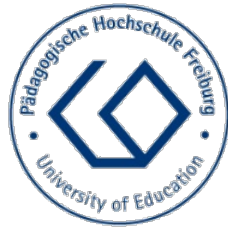


International Procurement of Textiles and Clothing for the European Retail Market



Hochschule Reutlingen
Reutlingen University



Co-funded by
the European Union

Learning Objectives

After this course students should be able to...

- Describe different barriers to sustainable sourcing in the fashion and textile industry
- Outline why sourcing plays a significant role for the sustainable development of the fashion and textile industry
- Describe the complexity of the fashion supply chain
- List the main exporters of clothes to the European Union

Introduction

Let's discuss!

- Do you know where the clothes that you wear come from?
- Look up where they have been made:
 - What stands out to you?
 - Why are your clothes made in these countries?
 - Discuss problems and advantages!

Global Apparel Supply Chains

- The sustainability challenge of textile and clothing is related to the rapid globalization of trade in the recent decades
- Global competition → reduction of manufacturing costs by outsourcing production to developing / low wage countries
- Governments in developing countries have been encouraged by international institutions to put economic growth before stronger environmental and social regulation

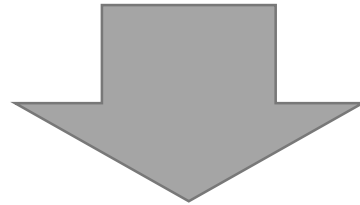
Boström & Micheletti (2016)

Global Apparel Supply Chains

- Primary reasons for outsourcing and offshoring activities are: lower prices, access to locally unavailable products, technologies, and scarce resources, higher quality, increase of supplier base, and the opportunities to develop a foreign market
- This has led to different integration levels of sourcing ultimately resulting in global sourcing strategies that involves worldwide geographically fragmented locations

Global Apparel Supply Chains

- Social movements and journalists collect experiences, document sweatshop and unsustainable production circumstances
- targeting the most visible actors in the supply chain as the ones with key responsibility



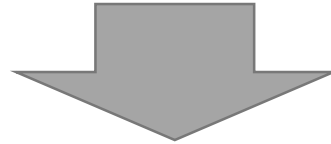
Politicization and responsabilization

Guercini, , & Runfola (2004)

Global Apparel Supply Chains

Politicization and responsabilization:

- threatens the reputation of big brands
- create drivers for more sustainable SCM



Resources mobilized, collaborations developed, new standards issued, eco-sourcing encouraged + New eco-niches pop up

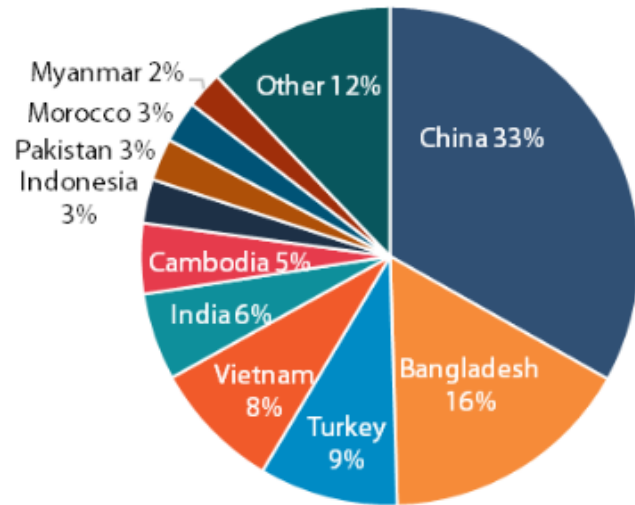
Global Apparel Supply Chains

On the other hand:

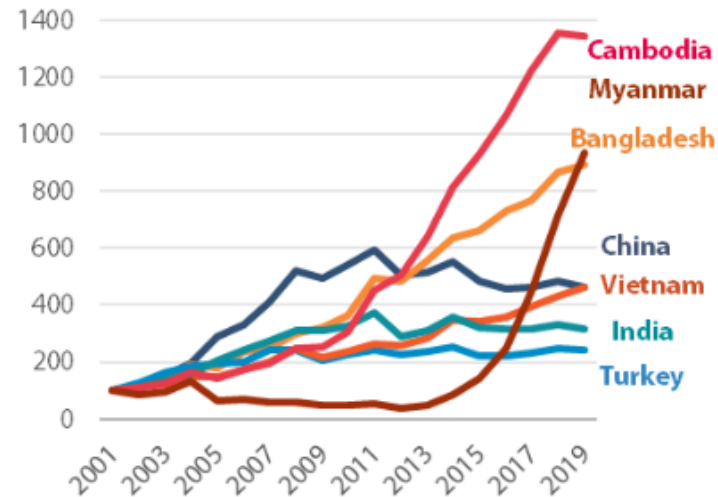
- globally stretched, complex, and fragmented supply chain = enormous governance difficulties
- Geographical, cultural, political, legal, communicative gaps: → continued misperformance, misunderstandings, and so on throughout the entire supply and demand chain

The EU's main fashion suppliers

Top 10 exporters to EU
(% of EU imports from non-EU countries, 2019)

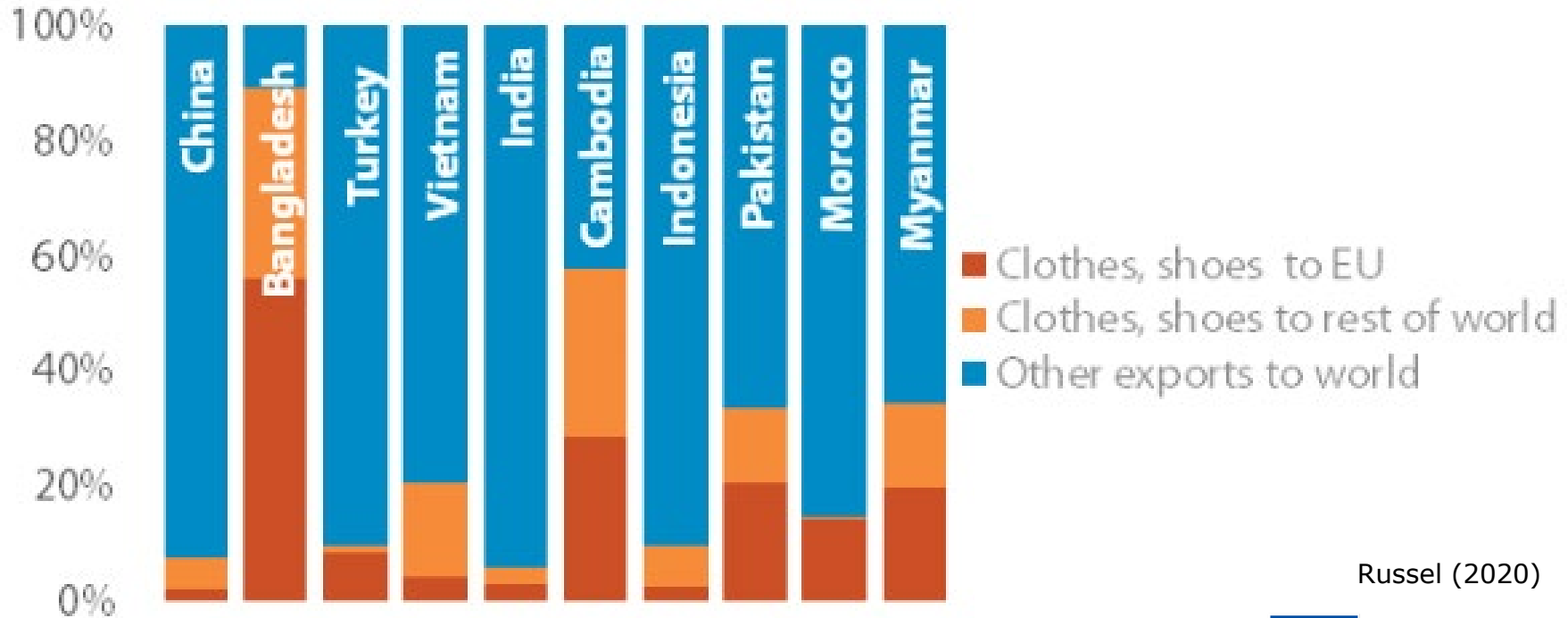


Change in exports, 2001-2019
(2001=100)



Russel (2020)

Clothing and footwear exports to EU/rest of world as % of country's total exports



Russel (2020)

Country	Import Value in Euro
European Union	34.988.825.523
Germany	8.155.919.132
Spain	5.726.271.769
France	5.256.561.396
Italy	3.944.518.262
Netherlands	3.109.868.114
Belgium	1.631.347.318
Poland	1.430.441.862
Denmark	1.418.866.305
Sweden	1.042.014.891
Ireland	838.325.291
Austria	482.894.498
Czechia	319.291.397
Romania	269.758.742
Greece	257.360.572
Finland	194.482.666
Portugal	186.559.102

Germany imports by far the most clothes of all EU member countries

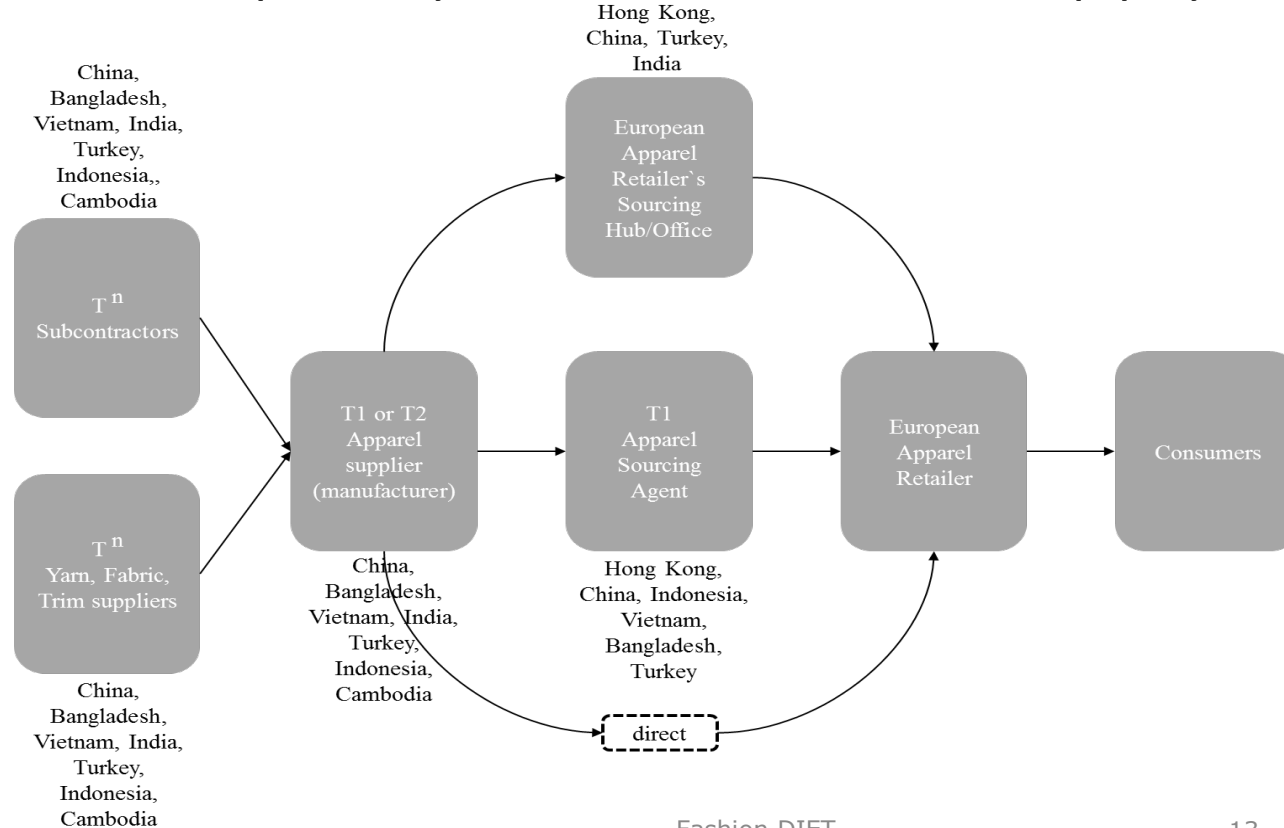
Data: eurostat (2022); own calculation

Global Apparel Supply Chains

In practice, apparel retailers approach their outsourcing and offshoring activities in three ways:

- direct sourcing,
- sourcing intermediaries,
- or sourcing hubs

The complexity of the fashion supply chain



The complexity of the fashion supply chain

- The main problem in keeping the textile supply chain transparent for all of its related actors is the extraordinarily diversification of apparel products.
- The production of a man's shirt alone involves more than 140 companies in different countries, including logistics, such as cotton from India, yarn production in Korea, weaving of a fabric in Thailand, finishing in Germany, making up in Turkey and sales in many countries including the respective supply routes
- In addition, there are the supply chains of heads, labels, interlinings, sewing thread, etc.
- More complex clothing requires an even considerably longer chain.

Current sourcing challenges

- **Shipping disruptions**

Harbor shut-downs, port congestion, container shortages, and capacity issues in sea and air freight → contribute to delays

- **Volatility of demand**

Uncertainty during but also post-COVID-19 → demand spikes

- **COVID-19**

Uncertainty about shift from pandemic to endemic disease conditions

Hedrich et al. (2021)

Current sourcing challenges

- **Raw materials**

The main Asian sourcing countries are stroked with supply issues: flow of raw material, energy or power shortages and price hikes

Shift to nearshoring is made difficult by limited raw-material

- **Online sales**

Increase in online sales and digital adoption rates during pandemic

→ Online sales will probably not fully revert to prepandemic levels

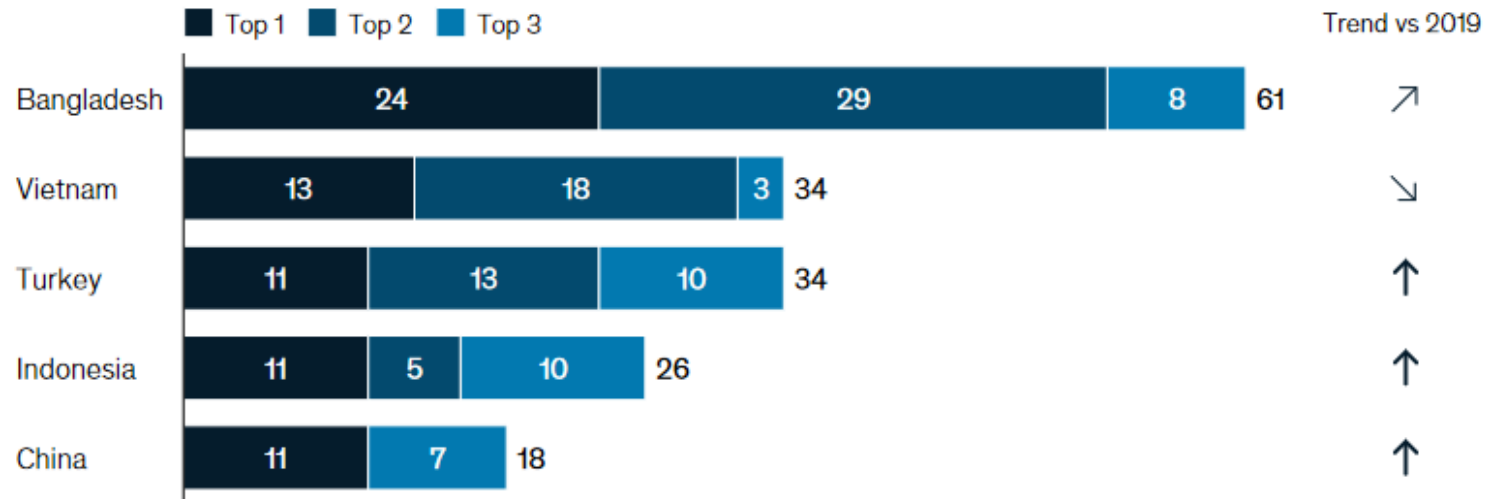
→ New online retailers pop up

Hedrich et al. (2021)

Countries with sourcing potential

“What do you see as the top 3 country hot spots over the next several years by 2025?”

Percentage of respondents



Hedrich et al., (2021)

Barriers to sustainable sourcing in the apparel and fashion luxury industry

- **Undersupply of sustainable raw materials**

Scarcity and firm regulations on the limited use of natural resources

Shortage of sustainable raw materials → could lead to low reliability of products, high lead time, production cost, etc.

- **Shortage of superior quality raw materials**

High-quality organic and renewable materials shortage → utilization of techniques that causes more environmental contamination to achieve essential conditions for garment production (e.g. quality, efficiency, and durability throughout the production lifecycle)

Barriers to sustainable sourcing in the apparel and fashion luxury industry

- **Complex material structure and composition**

Complex garment composition → resources extraction difficult → difficult to find ecological substitutes for the garment production

- **Weak partnerships and integration between partners**

Absence of trust, mutual targets, and fear of losing competitive advantage → partners may be averse from sustainability programs

- **Absence of suitable supplier training and reward system**

Lack of training and rewards for suppliers to adapt sustainability from the customers

Barriers to sustainable sourcing in the apparel and fashion luxury industry

- **Poor commitment and asymmetric information sharing from buyer/customer**

Absence of knowledge sharing between buyer and supplier firms, and unfair-trade practices severely affects dedication levels from the suppliers

- **Cost of sustainable raw materials**

The cost of green materials is more than basic materials and reprocessed raw materials require high capital investment

- **Rise in cost of investment**

Transition to a sustainable business model increases the cost of investment

Bhandari et al. (2021)

Barriers to sustainable sourcing in the apparel and fashion luxury industry

- **Uncertain return on investment**

Lack of information and uncertainty about the returns from investment in improved sustainability prevent capital spending

- **Cost of eco-friendly packaging**

High investment in eco-packaging technology, time to market, and customer critique

- **Resistance to upskill and knowledge sharing**

Employees response to change, upscaling, and fear of job loss on sharing information.

Bhandari et al. (2021)

Barriers to sustainable sourcing in the apparel and fashion luxury industry

- **Lack of eco-literate and skilled employees**

Implementation of sustainability leads to either staff training or skilled hiring requiring time and money investment

- **Insufficient commitment from top management**

Insufficient support and vigor from top management on sustainable programs

- **Hard transition to new business models**

Lack of strategic innovations and decision-making from management blocks transition to new business models

- **Certifications**

Regular monitoring of in-house staff and partners

Barriers to sustainable sourcing in the apparel and fashion luxury industry

- **Social responsibility**

Additional money, time, and resources are required to be spent to implement ethical and justified norms for employees / workplace

- **Inadequate infrastructure**

Lack of dedicated facilities and infrastructure for applications such as extraction, reusing, reprocessing of materials and unused fabric

- **Customer perceptions**

Some customers perceive sustainable clothing as expensive and recognizes reprocessed goods as low quality

Barriers to sustainable sourcing in the apparel and fashion luxury industry

- **Limited support from governing authorities**

Multiple ecological laws are in place, but sometimes inadequate support from governments for sustainable program implementation

- **Inadequate awareness**

A lack of awareness of the benefits from sustainable sourcing is observed from several supply chain partners

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