

Trends & Development of Global Fashion Business

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*Prof KW Yeung & Terry Tang
Clothing Industry Training Authority
Hong Kong*



Highlights

- ◆ Trends on Global Sourcing
- ◆ Impacts on the Fashion Business
 - ◆ Sustainable Development -
A Global Solution



Highlight 1

Trends on Global Sourcing



Trends on Global Sourcing

Changing Mandatory Requirements

- The elimination of quotas on trade between WTO members from 1 Jan 2005 was the central issue in the global apparel industry.
- Options open to the US and EU to fight against large imports: anti-dumping and safeguard measures under WTO's accession treaty.
- Many buyers will err on the side of caution by placing orders with a variety of supplying countries.



Trends on Global Sourcing

Changing Mandatory Requirements

- Effect 1 June 2007, the EU REACH* Regulation requires importers and manufacturers of chemicals to provide health and safety data for some 30,000 substances currently used in daily products.
 - The products range from plastics used in computers and mobile phones to substances used in textiles, paints, furniture, toys and cleaning products.
- (* REACH is the abbreviation of Registration, Evaluation, Authorization of Chemicals.)



Trends on Global Sourcing

Various Voluntary Standards

- Consumer goods industries are facing increasing challenges due to compliance standards raised by major US and EU buyers.
- The compliance standards may be attributable to ethical or environmental concerns in the life-cycle of raw material extraction, manufacturing, distribution, purchasing, consumption / usage, disposal, and recycling.



Trends on Global Sourcing

Voluntary Ethical Standards, e.g.



SA 8000 (Social Accountability International)



WRAP (Worldwide Responsible Apparel Production)



BSCI (Business Social Compliance Initiative)



Trends on Global Sourcing

Voluntary Environmental Standards, e.g.



EU Flower



Öko-Tex / Oeko-Tex Standards



Green Seal (US)

Trends on Global Sourcing

Higher Stakeholders Influences

- Consumers are increasingly aware of ethics and green issues which are emerging as the main concerns behind the purchasing decisions.
- Activist pressure groups and other stakeholders are pushing companies for greater balance between profitability and social responsibility.



Trends on Global Sourcing

Brand and Retailer Responses

- Most retailers now accept ethical issues concerning how products are made, and must have a proper balance between retailers and demands from consumers and pressure groups.
- Retailers need to ensure all key raw materials must come from the most sustainable source possible, and are committed to improving the livelihood of people in the supply chain.



Highlight 2

Impacts on the Fashion Business



Impacts on the Fashion Business

Brands and Suppliers

- In the new quota-free era, companies will select only suppliers who can provide real value to customers.
- Trade deals to a developing country which is able to satisfy its buyers in other ways - such as reducing product cost, legal and ethical compliance, shortening lead times, increasing flexibility, quality, and logistics.



Impacts on the Fashion Business

Brands and Suppliers

- The long-term partnerships have to be built on openness and trust, with each partner recognizing, agreeing and focusing on its strengths.
- Brands tend to bring in the market, product knowledge and technological know how, while suppliers provide local knowledge, management and a skilled workforce.



Impacts on the Fashion Business

Brands and Suppliers

- Suppliers must be able to provide quality product and service, including compliance with mandatory and voluntary requirements.
- Only the factories offering good working and living conditions and support their customers will attract brands that are serious about compliance issues.



Impacts on the Fashion Business

Ethical / Fair Trading

- More and more brands and retailers have set or will set policies on ethical trading and fair trade.
- E.g. five 'Mega Retailers' (Wal-Mart, Carrefour, Tesco and Metro, together with Migros) are putting together the Global Social Compliance Programme as one buyers' common code.

Impacts on the Fashion Business

Ethical / Fair Trading

- Understanding the social relation will be the total integration of ethics and environment as part of “Holistic Management Strategy”, and not just a conceived “Business Strategy”.
- Many brands have taken a lead in the areas of stakeholder engagement and transparency reporting.



Impacts on the Fashion Business

Clothes Miles

- Consumers express concern about the global warming impact of transporting clothes around the world.
- Transport accounted for 6% of the energy used in producing a viscose blouse in India for the European market.

Impacts on the Fashion Business

Clothes Miles

- A survey indicated that buying and using the T-shirt was one kind of big energy consumption: going to the shop, washing the shirt and ironing it used nearly ten times as much as transport.

(Source: <http://www.just-style.com>)



Impacts on the Fashion Business

Clothes Miles

- Over the next few years, retailers tend to become carbon neutral, stop sending waste to landfill, overhaul its supply chain to limit environmental impact, enhance its ethical trading initiatives and educate customers on healthy and green living.



Impacts on the Fashion Business

Eco-friendly Manufacturing

- Some brands increase use of organic cotton or by-product of agricultural products. This will contribute not only to improving the negative impact of conventional cotton farming, but also to supporting the fair trade policies with developing countries.

Impacts on the Fashion Business

Eco-friendly Manufacturing

- E.g., much of Marks & Spencer's polyester clothing will be made from recycled plastic bottles instead of oil, and every year it will sell over 20 million garments made from fair-trade cotton.

Impacts on the Fashion Business

Eco-friendly Manufacturing

- The laundering of clothing represents 75% of the total energy used during the lifecycle of a garment, and thus low temperature washing and easy care garments will be the key.
- Reducing washing temperatures from 40°C to 30°C may provide a 30% energy saving.

(Source: <http://www.just-style.com>)



Highlight 3

Sustainable Development – A Global Solution



Sustainable Development

- **Corporate Governance –**
Companies should establish company policies, values and ethics to align with global business code.

- **Stakeholder Engagement –**
Companies should be initiative in influencing employees, business partners, suppliers and customers by adopting best practice.

Sustainable Development

- Economic Development – Companies should support country economic development by paying fair wages, and improving working and living conditions.
- Community Development – Companies should commit to social development by recognizing employee's rights and sharing of international business ethics.



Sustainable Development

Can you see the difference



Sustainable Development

Can you see the difference



Sustainable Development

Good Practices



Sustainable Development

Good Practices



Sustainable Development

➤ Environment, Health & Safety

Focus –

Companies should embed environment, health and safety principles in the production process and exportation of goods.

Sustainable Development

Can you see the difference



Sustainable Development

Can you see the difference



Sustainable Development

Can you see the difference



Sustainable Development

- Manpower Development –
Companies should develop on-going training programs to build capacity on:
 - streamlined production workflow
 - economic material planning
 - effective communication systems
 - effective outsourcing management



Sustainable Growth for Higher Competitiveness

- More Exporting Business Opportunity due to higher alignment with global business norm and more acceptance by international markets / buyers.
- Higher Supply Chain Reliability due to smaller production disruption and less potential costs incurred by non-compliance.

Sustainable Growth for Higher Competitiveness

- Higher Productivity & Better Quality of Work due to greater ability to attract and retain good staff, higher staff satisfaction and motivation, empowered staff and increased initiative to improve.

End of Presentation

Thank you !

