

Beyond Needles and Thread:
Changing Supply Chains in the UK
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Towards a New Model of the Industry
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VII. Retail strategies for the Millennium

Success or failure on the High Street

Global sourcing

Transport costs and production schedules

Global, regional, or national partnerships

Outward processing and rapid replenishment

The growth of overseas subcontracting through outward processing arrangements has become an obstacle for small manufacturers whose traditional business relied on the production of small volumes of goods for quick response fashion markets. In reality, some demand will always exist for small firms able to react quickly, and many sourcing agents use a combination of overseas subcontracting and local factory units. However, the domestic suppliers are left with those orders that are not commercially viable for overseas manufacture, often of very small volumes, or required at very short notice. Trial orders and samples are also requested. At the same time, price thresholds are set for imported products, so achieving profitability for versatile subcontractors has become difficult. In some cases, those units able to achieve the prices and flexibility dictated by retailers are those which avoid legal trading practices to cut costs.

Global regulation of working conditions and sweatshops

One side effect of the trend towards price pressure on both UK and overseas manufacturers has been a tendency for factories to cut costs and minimise investment,

particularly in compliance to employment and health and safety issues. Current changes in public opinion, generated by media interest, have forced retailers, led by the Arcadia Group, to monitor health and safety conditions and employment conditions used by their manufacturers. Retailers have begun to set manufacturing standards, enforcing sourcing agents to utilise only accredited suppliers, both in the UK and overseas. The investment required to raise standards in a trading environment that already jeopardises manufacturers' profitability is often prohibitive. Many small subcontractors have been forced to close because of lost business as a result of failure to gain accreditation. The ability for domestic suppliers to profitably fulfill the demands of retail buyers for quick response could be compromised¹.

Meanwhile, an increasing number of retailers, such as C&A and Next have developed codes of conduct for suppliers aimed at setting uniform standards overseas. In March 1998, Marks and Spencer won a liable action against Granada TV for a programme that alleged the retailer was aware of child labour being exploited in a factory used by one of its UK suppliers². The retailer is now considering developing a code of conduct to support the likelihood that more of its production will be made overseas, and, therefore, vulnerable to exploitative conditions.

Other retailers, such as J. Sainsbury and Littlewoods have joined the government backed Ethical Trading Initiative, set up to encourage more retailers to monitor suppliers' labour force conditions.

VIII. Conclusions

The survey has illustrated the increasing complexity of supply chain relations within the apparel and textile sector, largely in response to demands for greater variety and choice within existing price and value constraints. There is little doubt that the greatest influence of change has been major retail organisations and that suppliers have been forced to comply to maintain their market share. There is evidence to suggest, however, that where suppliers have made some concessions to their customers' demands, further strategic changes have often followed, such as is evident in the implementation of retailer-supplier partnerships.

The most immediate changes that have occurred in manufacturing are those relating to the supply of added value services, in many ways fundamental elements of the production

¹ Unpublished report for the Lee Valley Clothing Business and Design Centre, 1998

² Drapers Record, 28th November, 1998

process, but which have been shifted upstream to garment manufacturers. These range from the preparation of goods for display to the resource intensive holding of inventory.

Developments in IT and information exchange are less well developed, and in some cases confined to suppliers to leading store groups. However, there are signs that the uptake of new technologies is increasing and also infiltrating further throughout the supply chain with upstream suppliers linking directly to the market place. Similarly, there has been significant investment in new upstream finishing technologies which enable greater flexibility within the product development cycle and which can facilitate considerable shortening of response times (for example through smaller batch dyeing techniques and garment dyeing). However, in some organisations, the decision making process causes some frustration and proves to be an obstacle to the implementation of quick response strategies

It seems inevitable that increased uptake of technology and continued price differentials will continue to encourage overseas sourcing of basic product lines. The future opportunities for domestic suppliers will be to satisfy demand for rapid response and small volume production. While some firms exhibit innovative strategies to cope with these requirements, others continue to be unable to cover overhead costs through fragmented orders. Future studies should explore further the opportunities which exist for flexible suppliers and the constraints which are faced.

In our early studies, fabric suppliers appeared as an obstacle to quick response, but during the course of this research, it has become evident that some examples of innovation exist which support both the demand for increased product differentiation and that for quick response. Further developments in this sector are vital to the future of UK apparel manufacturing, as locational decisions regarding manufacturing are influenced by fabric sources.

In addition, the study reveals the resilience of pockets of traditional manufacturing systems, which demonstrate that human centered practices are as critical to quick response and flexibility as resource intensive new technologies. However, networks of subcontractors are threatened by closer trading relationships with Europe's near neighbors, which are quickly developing quick response capabilities.

It can be concluded therefore, that, although there are many signs of innovative supply chain relations developing within the apparel sector, there is little evidence to suggest that these are yet sufficient to give UK manufacturers the advantages that they will need to remain competitive. However, the emergence of some best practice examples of innovation provides an incentive for a greater number of suppliers and retailers to adopt new practices. In the mean time there is a danger that technological developments, such as CAD and concurrent product design will improve access to quick response production from low cost

overseas producers, confining UK suppliers to Outward Processing Arrangements or very small unit production for a decreasing number of small fashion retailers.

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Appendix 1 Standard Industry Classifications

1992 SIC codes

- 18221 other mens outerwear
- 18222 other womens outerwear
- 18231 mens underwear
- 18232 womens underwear

1982 SIC codes

- 4532 mens & boys tailored outerwear
- 4533 womens & girls tailored outerwear
- 4535 mens & boys shirts and underwear
- 4536 womens & girls light outerwear, lingerie, infantswear

1960 SIC codes

- 442 mens outerwear
- 443 womens outerwear
- 444 mens overalls, shirts, underwear
- 445 dresses, lingerie, infants wear

Appendix 2 Research Sources

Companies visited during 1999:

Retailer visits (supported by DTI Sector Challenge: Benchmarking Teamwork Systems: Retail Interviews)

Country Casuals Ltd., London	Sock Shop Ltd.	Littlewoods Group Ltd., Liverpool
Etam Plc., London	Windsmoor	Matalan
Freemans Mail Order (Sears Group Plc.), London	Wm. Morrison Plc, Yorkshire	Marks and Spencer Plc, London

Visits associated with other projects/ associated research

Alfred Smith and Walker Ltd., Nottingham
Peppers Warehousing Ltd, Chersterfield
Kelforce Ltd., London
Classitem Ltd., London
Truestitch Ltd., Leicester
Amita (Reprocessing) Ltd., Mansfield
K&K Lingerie Ltd., Nottingham

Companies contributing data in 1999

Nb. No new statistical data has been collected, contributions are in the form of explanation of supply chain innovations, outlining strengths and weaknesses and describing practices:

Company	Source
Decathlon UK, Nottingham	meeting P. Totterdill
New Look Retail Group Plc, Dorset	DR Challenge Conference
Arcadia Group plc, London	DR Challenge Conference
BhS Group Plc, London	DR Challenge Conference
Next Plc, Leicestershire	DR Challenge Conference
Benson Turner, Yorkshire	DR Challenge / Measuring up to the Challenge conferences
Berwin & Berwin, Leeds	DR Challenge Conference
Windsmoor Plc, London	ASBCI conference
Wallis (Sears Group plc), London	ASBCI conference

Companies visited prior to 1999

Apparel Manufacturers	Apparel Manufacturers	Textile manufacturers/ dyers
Wilson Jones & Co Ian Stewart Casuals	Christian Marcus Country Lady Fashions	Rainbow Jersey Courtaulds Flake

Porchelle Ltd
Martin Emprex International
Dalmani knitwear
Littlefair & Associates
Westbridge International
G Force
Daniel Hanson
Bruton & Selden

Viyella Menswear
Sherwood Fashions
Richard Roberts Fashions
CA & SA Barnes
Bairdwear
Jacques Vert
T P Berry & Co
Aquascutum

Hicking plc
Parkland Textiles Plc
Toray Textiles
Welbeck Fabrics Ltd.
Dundee Textiles Ltd.
Maytex Textiles Ltd.

Sue Eadie
Hayes Knitwear
Courtaulds Knitwear

Just Kids
Riche Fashions
Mary Adams Ltd

Retailers
Topman Lt.

J. B. Armstrong & Co Ltd
Speedo International Ltd
Prestfield Fashions
Wrangler Ltd
Cruise Clothes
Basic Clothing
Gypsy Fashions
CV Branded Menswear
Courtaulds Leisurewear
Meritina Ladieswear
Daks-Simpson
Debut Group Ltd.

Heather Lee
David Hughes Ltd
Milano Sport
Paul Smith *
Paul Smith - Knitwear *
Clifton Styles
Stag Knitwear
Godfrey Textiles
Jaeger Knitwear
Helco Ltd
J J Mathews Ltd
Glengarnock Garments Ltd

**London Subcontractors/
Agents**
To follow if required

Companies contributing data prior to 1999

Retail postal survey

Damart Ltd.
Penny Plain
Freemans Mail Order
Oasis
Kookai
Miss Selfridge
New Look

Presentations/ case studies/ meetings

Stephensons Dyers & Finishers Ltd.
Next Plc.
Paul Smith Ltd.
House of Fraser plc.
BhS Plc.
Retro UK

Articles/ case studies

1st Choice
Long Tall Sally

Styletex Ltd.