

Exploring the International Fashion Supply Chain and Corporate Social Responsibility:

Cost, Responsiveness and Ethical Implications

Patsy Perry (University of Manchester - patsy.perry@manchester.ac.uk)

Steve Wood (University of Surrey - sm.wood@surrey.ac.uk –)

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Introduction

The past thirty years have seen significant structural changes in fashion supply chains, which have become increasingly globalized and complex. By the late 1990s, increasingly affordable style was appearing on the high street. This trend toward 'democratised' fashion was led by so-called 'fast fashion' retailers such as Zara and H&M and marked a departure from an era where well-made, stylish clothes were largely the preserve of affluent consumers (Tungate, 2012; Caro and Martínez-de-Albéniz, 2015). Such developments were supported by the transformation of the fashion supply chain from a 'manufacturer-push' model toward a 'demand-led pull' system, which mirrored similar evolution within the food retail supply chain. In addition, fashion sourcing shifted from domestic production toward a greater share of offshore production as retailers increasingly outsourced their non-core manufacturing functions while typically retaining a focus on their core competences in the design, branding and retailing of fashion. Competition in the fashion industry thus moved from manufacturing to distribution and retailing (Castelli and Brun, 2010). In recent years, further segmentation of the market has emerged with the rise of 'affordable luxury' and growth of 'mass prestige' brands such as Michael Kors and Coach. In tandem with these trends, the rise of fashion e-commerce and increasing consumer acceptance of purchasing fashion online has also led to

phenomenal growth in the online fast fashion sector, with retailers such as ASOS and Boohoo offering a wide variety of trends at low prices and shipping to multiple countries worldwide.

Amid these complex and intersecting trends of increasing internationalisation and outsourcing of the manufacturing function to developing countries, the exploitation of social and environmental resources has become an increasing concern – not least given the geographically dispersed nature of apparel supply networks (Freise and Seuring, 2015). Sustainability initiatives are crucial to companies' strategies, especially for those operating in sensitive business areas such as the fashion industry with its intensive use of natural resources and high labour inputs (Smith, 2003).

Implementing CSR within fashion supply chains requires retailers to consider the social and environmental impact of their business operations on a wide array of stakeholders. On the one hand, *environmental issues* of pollution and high use of natural resources mainly relate to the textile pipeline and the associated use of water and toxic chemicals at the fabric production and processing stage, as well as textile waste issues in the consumer disposal of used garments, given the ever-shorter trend cycles and the rise of low quality, fast fashion with a limited lifespan (Bianchi and Birtwistle, 2012). On the other hand, *social issues* focus particularly on the implications for workers and associated communities, given the labour intensive garment manufacturing function. The social issues of CSR can be broken down into three main areas of wages, working hours and working conditions (Sethi, 2003). Ethical transgressions have become a key supply chain challenge, as the fashion industry has become a focal point for debate on sweatshops, child labour and worker exploitation (Perry and Towers, 2013; Smestad, 2009). In short, the fashion industry's intense focus on speed and cost reduction (Chan et al., 2017) means there are significant challenges to successfully implementing strategies that are both competitive *and* socially responsible.

The purpose of this chapter is to explore the internationalisation of fashion supply chains, with a particular focus on social and environmental impact while assessing the implications for the management of corporate social responsibility (CSR) in production locations. The chapter begins by setting out the structure and nature of international fashion supply networks, including the evolving nature of international retailer-supplier relationships within the context of fashion retailer typologies, the sourcing models adopted and the product categories sourced by retailers. Next, the concept of CSR is explained, followed by a discussion of the challenges and barriers to implementation. Industry examples are analysed to illuminate the complex nature of managing CSR issues alongside the demands of low cost and responsiveness throughout global fashion supply chains.

The Internationalisation of the Fashion Supply Chain

Before discussing CSR, it is important to understand key issues in international fashion supply chain management. The high street fashion market is a dynamic industry sector, which is characterised by short product life cycles, high product variety, low predictability, relatively low margins and high levels of impulse purchasing (Turker and Altuntas, 2014). Fashion markets face combined pressures for shorter lead times and reduced costs (Masson et al., 2007). The rise of so-called ‘fast fashion’ sees 24 collections per year reported for Zara, for example (Remy et al., 2016) as well as the addition of pre-collections to standard spring/summer and autumn/winter assortments for luxury retailers. Amid this backdrop, success or failure in the high street fashion sector is largely dependent on organisational flexibility and responsiveness (Chan et al., 2017). Supply chain management (SCM) becomes a major source of competitive advantage (Turker and Altuntas, 2014) as it has potential to deliver commercial benefits in managing the process from fibre to store by minimising cost and lead time (Barnes and Lea-Greenwood, 2006).

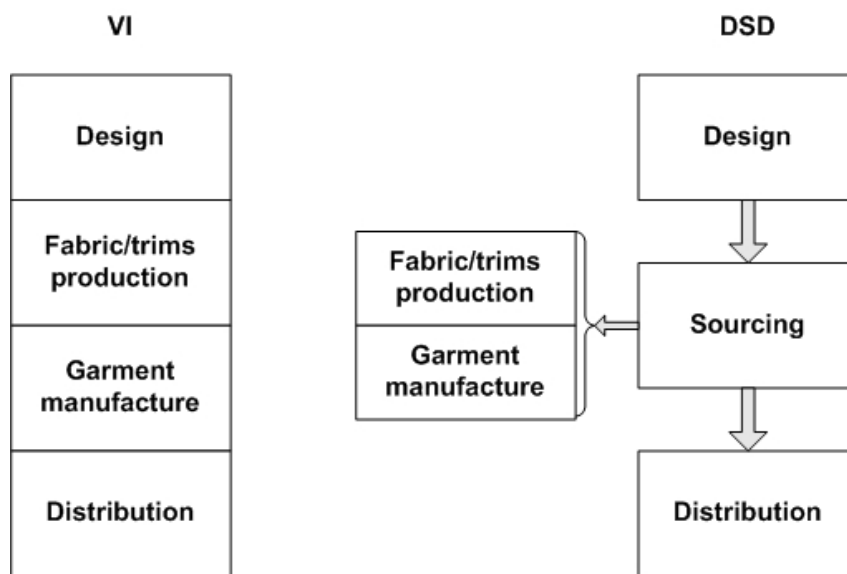
Vertical disintegration and the outsourcing of production

One of the key SCM trends within the mid-market high street sector has been the vertical disintegration and outsourcing of the production function to a global network of independent subcontractors, usually within lower labour cost countries. The expansion of free trade followed the elimination of the Multi-Fiber Agreement (MFA) in 2005, which had governed the global trade in textiles and garments since 1974 by imposing quotas on the amount developing countries could export to developed countries (Goto et al., 2011). The degree of outsourcing relates to the retailer’s perspectives on the extent of control that it wishes to exert over the supply function and how it views sourcing within the organisation. This distinction can be linked to Cox’s (1996) contractual theory of the firm, whereby a company that considers sourcing to be a core competence with high asset specificity will retain control of this function rather than use third party specialists. The extent of the relationship with the third party will depend on the degree of asset specificity – high asset specific skills will tend to be governed via long-term partnership arrangements, while low asset specific skills will be procured via arm’s-length market-based arrangements.

In the mid-market segment, vertical integration is rare, with a predominant global shift of production to newly emerging markets, as retailers respond to and, in turn, drive further downward price pressure. Mass outsourcing was facilitated by a combination of

geopolitical reasons (end of quotas), market needs (increased competition) and technological advancements (information technology and transport improvements) (Fernie and Azuma 2004; Djelic and Ainamo, 1999). For example, as early as 2008, fast fashion chain H&M used 800 suppliers worldwide (H&M, 2008). Even Spanish fast fashion retailer Zara is no longer an exception to outsourcing and the globalisation of production. While traditionally sourcing from Spain and Portugal, Zara expanded its supplier base further afield to include lower labour cost countries such as Morocco, Turkey and India, finding that suppliers could respond quickly and to the standard required (Tokatli, 2015). Thus, retailers and brands adopt a design/source/distribute model by focusing on their core competences of design, branding and retailing, with the production function outsourced to global networks of independent suppliers, as shown in **Figure 1**.

Figure 1: Supply chain models in the fashion industry: vertical integration (VI) and design/source/distribute (DSD)



The main driver for shifting production to developing countries is cost, given the labour-intensive nature of apparel production and the large differentials in labour rates. Garment manufacturing is typically unsuited to extensive automation as labour-intensive sewing operations can be located where there is a readily available labour source (Sethi, 2003). As countries progressively industrialise and economic development grows, labour rates increase and competitive advantage on the basis of cost moves successively to the next newly industrialising country where labour rates are even cheaper. For example, Hong Kong, South Korea and Taiwan were once popular sources of low-cost manufacturing labour, but by the

beginning of the 1990s, rising domestic labour costs meant they were no longer competitive on a purely cost basis (Singleton, 1997). Current locations of low-cost garment manufacture include Bangladesh, Myanmar and Cambodia (Hamlin and Roberts, 2017). Within China, as labour rates in coastal areas have increased, garment manufacturing operations for longer lead-time products have relocated to cheaper inland regions. China's central government responded with a series of policy initiatives to support enterprises to encourage industrial upgrading and relocation in three ways: Go Up (industrial upgrading), Go West (relocation to inland China) and Go Out (relocation overseas) (Zhu and Pickles, 2014). Likewise, as costs in Turkey have increased, some garment manufacturers shifted production for shorter lead-time merchandise to nearby Egypt (Tokatli and Kizilgün, 2010). One response to this 'race to the bottom' has been for some individual supplier firms or, collectively, wider economies to 'move to more profitable and/or technologically sophisticated capital- and skill-intensive economic niches' – which is referred to in academic literature as 'industrial upgrading' (Gereffi, 1999:52; see also Tokatli, 2007; Neidik and Gereffi, 2006). However, Hamlin and Roberts (2017) noted that the previous trajectory of industrial upgrading may be threatened by possibilities associated with the increasing development of automation in textiles and garment manufacture, which could allow companies to manufacture closer to their customers and avoid the shipping costs and delays of outsourcing. For example, while German sportswear group Adidas AG manufactures 96% of footwear in Asia (Spetzler, 2016), this could change following the establishment of a highly automated 'speedfactory' in Germany in 2017 (Hamlin and Roberts, 2017). Meanwhile, Nike is also embracing increased automation in its production processes (Bissell-Linsk, 2017). Importantly, these changes in industrial trajectory might imply that poor countries that have been so dependent on large-scale manufacturing employment might eventually see their price competitiveness blunted by close-to-market automated production infrastructures.

In certain cases, garment sourcing decisions may be influenced by historic regional specialisations. These are not easily replicated and result in certain countries or regions becoming manufacturing centres for particular types of garment, based on the quality of the basic fabric (e.g. Southern India for silks), proximity to fabric source (e.g. China for cotton), specialisation in design and production (e.g. Italy for leatherwear and tailoring), and particular highly skilled sewing details (e.g. India for hand embroidery and embellishment) (Dunford, 2006; Fernie and Perry, 2011). Sometimes, a specialised labour skill-base combines with cost advantages – for example, the existence of skilled workers in the East-Central European apparel industry enabled the region to develop a reputation for relatively

high value tailored garments, which complemented its cost and proximity advantages (Begg et al., 2003; see also Kalantaridis et al., 2008; Smith et al., 2008).

Despite the increasingly globalised nature of mid-market apparel production, there are exceptions to this trend, with some re-shoring occurring in traditionally high labour cost countries to increase responsiveness to demand (Hammer and Plugor, 2016). One example is the recent increase in apparel production within the UK (Prime Minister's Office, 2014). Yet, perhaps unsurprisingly, such UK suppliers face considerable continuing price pressure from low cost developing countries. This tension is evident in Froud et al.'s (2017) recent UK study where vulnerability to low overseas labour rates is exacerbated given that many suppliers particularly situated around the Leicester garment sourcing hub are competing on generic, low-value-added products, leading to 'the emergence of an informal sector in apparel where wages are below the legal minimum' (p.13). This creates conditions where CSR is compromised in apparel production within a developed market on the doorstep of its consumers rather than in distant countries.

Historically, the luxury segment of the market was structured in a vertically integrated manner, to allow luxury brands to retain close control over merchandise quality and exclusivity, and thereby allow them to demand premium prices for their products (Brun et al., 2008). French couture houses such as Chanel and Hermès therefore tend to internalise the production function in order to retain control over quality and to protect the high asset-specific artisan skills that underpin the production of bespoke luxury goods. Kapferer (2010) therefore claimed that real luxury brands such as Hermès, Chanel and Louis Vuitton are not concerned with cost reduction benefits which could be achieved through outsourcing production to lower labour cost countries; however the sector is not homogenous (Caniato et al., 2011) with recent evidence suggesting that luxury players typically no longer maintain full vertical integration.

Luxury goods retailers may adopt a networked production structure to benefit from association with country of material origin such as woollens from Scotland or leather from Italy. Nevertheless, at times, retailers "buy-in" such expertise to ensure security of supply - for example when their artisan suppliers get into difficulties. In 2012 Chanel bought its long-term cashmere supplier in Scotland after the supplier faced bankruptcy (BBC, 2012), while luxury groups, Kering and LVMH recently acquired a number of exotic skin suppliers and elite tanneries as part of a strategic move to secure a sustainable supply of high quality raw materials (Socha, 2013; Butler, 2017). Greater movement towards vertical disintegration and a networked structure in luxury can be explained by the increasing shift towards mass

production of luxury fashion products. As long ago as 2011, up to 20% of Italian luxury brand Prada's collections across clothing, shoes and handbags were reported to have been made in China, with some manufacturing also taking place in Turkey and Romania (Sanderson, 2013), with a similar tendency toward using full-package overseas suppliers discussed in the case of Burberry (Tokatli, 2012). Whilst Burberry manufactures its classic trench coats in the UK (Butler, 2016), fashion-focused products in its collections have been outsourced to independent subcontractors in lower labour cost countries, including Turkey and China (Tokatli, 2012; Robinson and Hsieh, 2016). Traditional vertical integration to protect luxury brand values of country of origin and craftsmanship has often given way to outsourcing of some garment production from country of brand origin or material origin (e.g. Italy, France) to lower labour cost countries such as Romania, Turkey or China. Globalisation, heightened competition and the changing nature of the luxury consumer have resulted in a greater level of complexity and turbulence in the market; hence, flexible networked structures can be more effective than vertical integration (Djelic and Ainamo, 1999).

Supply chain relationships and responsiveness

The shift to independent flexible supply chain networks brought an increased focus on supply chain relationship management. This originated in the United States with the introduction of the Quick Response (QR) concept in 1985, which was a reaction to inefficiencies in the domestic supply chain in the wake of Japanese textile imports and part of the 'Pride with the USA' campaign to promote the purchase of US products. QR performance relied upon a network of close alliances with supply chain partners, since such collaborative relationships are a precursor to responsiveness (Sheridan et al., 2006). By improving supply chain efficiency and promoting collaboration between retailers and suppliers, it was hoped to make the US more competitive in the face of increasing imports. In the UK, QR techniques were used to develop collaborative working relationships, which enabled domestic manufacturers to compete with the off-shore sourcing of garments from lower labour cost countries (Christopher et al., 2009). QR was originally targeted at core fashion lines that had steady demand profiles and were sold in department stores (Wood, 2002). Nowadays, core fashion lines with relatively steady demand profiles are typified by good quality casual garments, such as chinos and plain jeans, which are fashionable but not as time-sensitive as fast fashion. Although QR was unable to prevent the large scale global shift of production to lower labour cost countries (Tokatli et al., 2008), it laid the foundations for companies to adopt a 'fast

fashion' strategy, whereby retailers such as Zara, Primark and ASOS replicate catwalk and celebrity trends quickly to provide budget versions for their customers. Zara harnesses its supply chain to deliver catwalk looks into stores within two weeks (Tokatli, 2007), totalling 24 collections per year (Remy et al., 2016).

Traditionally, buyer-supplier relationships in the fashion industry were short-term and adversarial, characterised by multiple sourcing, price orientation and competitive bidding (Hansen, 2009; Barnes and Lea-Greenwood, 2006; Hines and McGowan, 2005). With progressively greater vertical disintegration over time, these “*buyer-driven* global sourcing networks¹” have seen the balance of power in the supply chain shift comprehensively to large retailers at the expense of manufacturers (Petrovic and Hamilton, 2011; Gereffi et al., 2005). Buyer-driven global sourcing networks are led by powerful retail buyers who are able to exert control over production, distribution and retail (Gereffi et al., 2005; Barrientos and Smith, 2007; Starmanns, 2017) by leveraging their dominant position in the network to dictate terms to small manufacturers regardless of whether they are in the mass-market sector (Hearson, 2009) or in luxury (Gesualdi and Lucchetti, 2017). But as shorter product life cycles and rapidly changing consumer demands have led to a renewed focus on agility as a means of reducing lead times, there has been a predominant shift away from adversarial relationships to strategic partnerships based on commitment, trust and continuous improvement which enable the development of long-term upgraded supplier capabilities (Hansen, 2009; Bixenden and Abratt, 2007; Hines and McGowan, 2005). Perry et al. (2015) found large Sri Lankan garment suppliers had developed strong long-term relationships with US and EU retailers over 10-20 years. With increasing global scrutiny of ethical standards in globally dispersed supply chains, sourcing from trusted ‘full-package’ suppliers in low-risk locations reduces the risks associated with ethical misconduct and the associated negative publicity for brands and retailers. Yet, even in this manufacturing context, there remain enduring concerns that conditions still fall short of the prescribed health and safety standards in some instances (Ruwanpura, 2016). However, as noted earlier, within the UK garment manufacturing sector, which is largely SME-based and lacking in product differentiation, Froud et al. (2017, p.53) identified retailer-led supply chains characterised by ‘adversarial supplier/buyer relations’.

To achieve competitive advantage by agility and responsiveness, supply chain initiatives based on collaboration, such as using integrated systems and encouraging supplier upgrading, may be employed (Bruce and Daly, 2011). Collaboration between supply chain

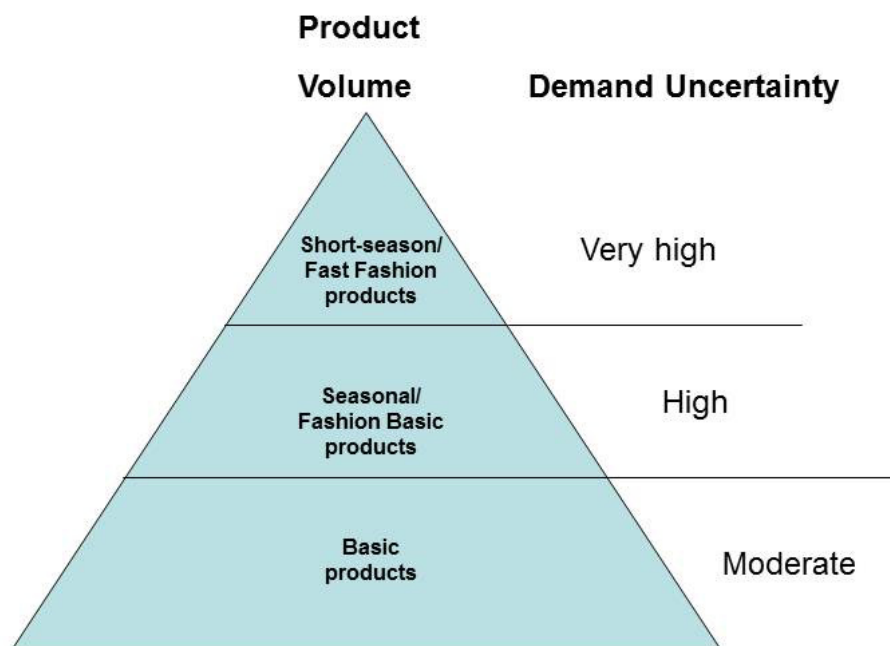
¹ Other terms used in the research literature include “buyer driven commodity chains” and “global buyer driven networks”.

partners can lead to significant business performance improvements (Vereecke and Muylter, 2006), potentially creating a seamless, synchronised chain which results in better responsiveness and reduced inventory costs (Holweg et al., 2005). Building supplier partnerships is an important influencing condition of successful fashion supply chain management (Hines and McGowan, 2005). Rather than seeking price reductions in short-term transactions, long-term oriented firms rely on a series of relational exchanges to maximise their profits over a series of transactions by achieving synergy between parties and risk sharing (Ganesan, 1994). A long-term orientation and the drive to achieve shared goals enables supply chain networks to function as closely and seamlessly as vertically integrated firms whilst avoiding the disadvantages of sunk costs, lock-in and organisational inflexibility. For fashion products in particular, closer trading relationships are necessary to maximise supply chain effectiveness and efficiency in terms of reducing lead time and maximising stock availability (Perry and Towers, 2013). Therefore, many larger retailers have rationalised their global supply networks in order to reduce costs and develop closer partnerships with a fewer number of 'preferred' suppliers (Welford and Frost, 2006; Palpacuer et al., 2005). A reduction in supply base enables buyers to develop long-term collaborative relationships with fewer key suppliers and then work to improve these suppliers' performance and capabilities for the benefit of both parties (Su, 2013; Starmanns, 2017).

Demand profiles and uncertainty. While supply chains for *basic products* focus on cost reduction and prioritise lean supply, *fast fashion products* require agility in order to match supply to demand (Mason-Jones et al., 2000). Basic products, such as socks and plain t-shirts, are typically low-margin, have a long product lifecycle and predictable demand so require highly efficient supply chains to ensure the physical cost of production and distribution are minimised. Where there is stable, predictable demand, a lean manufacturing strategy can improve supply chain efficiency by eliminating waste, including time; resulting in lower labour costs, increased throughput and hence higher operating profit (Frohlich and Westbrook, 2001). Supply chains for these functional products are less complex than for fashion products and thus can be simplified in order to maximise efficiency and reduce transaction costs. Conversely, *fast fashion products* are less price-sensitive, but have a shorter product lifecycle and unpredictable demand levels; therefore the supply chain must achieve a high level of responsiveness in terms of manufacturing flexibility and minimising lead time (Fisher 1997).

The different demand profiles for basic and fashion products are illustrated in **Figure 2**. The pyramid shape shows that fashion basic products with longer product lifecycles, such as men’s chinos, have long-running orders of each particular style, while fashion products with short product life cycles, such as velvet dresses, are made in small amounts of frequently changing styles. The time-sensitive nature of *seasonal (fashion basic)* and *short-season (fast fashion) products* prioritises lead time over cost.

Figure 2: Demand pyramid: basic vs. fashion items (based on Lawson, 2003)



As fashion product life cycles have speeded up, retailers have faced increasing challenges of managing the trade-off between cost and lead time in off-shore sourcing. The high street market segment contains mid-market retailers that primarily sell seasonal or fashion basic products. These tend to outsource most production to a small number of key suppliers with whom they have collaborative relationships, although these are increasingly located overseas. Fast fashion lines are often produced closer to the selling market to avoid missing the short window of the selling season. For UK retailers, fast fashion is often produced in Turkey or Eastern Europe, partly to avoid the long shipping times from Asia but also as they are locations that mediate between the demands of cost, quality and responsiveness/distance (Tokatli and Kizilgün, 2009; 2010).

Flexibility and responsiveness are crucial in fashion markets with unpredictable demand and high levels of uncertainty, since success is based on aligning garment delivery to emerging consumer demand in order to avoid the costs of excess inventory and obsolescence (Weller, 2007). However, in their empirical study of supplier management within the UK fast fashion sector, Doyle et al. (2006) found that most product was in fact sourced from the Far East, as price competitiveness was the most influential factor of sourcing policy. Fast fashion retailers face greater pressure for both cost and lead time and therefore tend to rely on short-term, arm's-length trading relationships. Because of the short product life cycles of fast fashion, retail buyers tend not to place long-running orders, but rather small batches which may be easily moved from one supplier to another. For example, budget fast fashion retailer Primark's business model has been based on sourcing products from the cheapest possible supplier, with short and variable trading relationships, sometimes even changing supplier mid-season (Newton Responsible Investment, 2005). However, Doyle et al. (2006) highlighted the importance of developing supplier relationships in fast fashion: although retailers adopted a dual sourcing policy for certain products to mitigate against risk, they also recognised the benefits of increased agility and joint problem-solving that came with the development of supplier relationships.

Fashion retailers source garments in three main ways: (1) via third party specialists; (2) directly from suppliers via their own headquarters; or (3) via overseas sourcing hubs (Ferne et al., 2009). If sourcing directly, retailers use:

Contract manufacturers ('cut-make-trim' – CMT) who cut, assemble and ship finished garments from imported inputs under the buyer's brand name, or

Full-package suppliers who coordinate the entire production process on behalf of the buyer, from product development and procurement of raw materials through to manufacture and shipping (Niedik and Gereffi, 2006). Full-package supply requires pre-production capability in design and product development, as well as responsibility for sourcing fabric, including financing the procurement upfront.

Retailers generally prefer full-package supply rather than CMT (Lezama et al., 2004; Palpacuer et al., 2005), so that they can focus on their core competences in design, branding and retailing. In order to fulfil such demands, suppliers need to upgrade their capabilities to adapt to these buyer-led 'full-package' demands (Gereffi, 1999; Tewari, 2006; Palpacuer,

2006). By ensuring key capabilities, such as fabric production, are in-house, lead times can be reduced and extra duties payable on imported fabrics can be avoided. Tewari (2006:2327) noted an increasingly demanding situation for suppliers as ‘market access... depends not only on low costs, or freer trade, but on the ability of local suppliers to meet increasingly stringent buyer demands for quality, customization, and full-package supply, in addition to low costs’. Therefore, some full-package manufacturers now have responsibility not only for procurement of fabric and trims but also for design and product development (Tokatli and Kizilgun, 2009) – functions which would have previously been classified as core operations and therefore viewed as important to remain within the boundaries of the firm (Cox, 1996). Given the increasing demands of dominant retailers, it has become progressively more important for suppliers to develop upgraded networks of design and manufacturing, which offer a comprehensive and responsive service but from a low cost base. The typology of fashion retailers in **Figure 3** below summarises the key differences in international supply chain relationships according to market segment.

Figure 3: Typology of fashion retailer supply chain relationships

<i>Vertically integrated or tight control of supply network</i>
✓ Luxury fashion houses or those with a unique business model (e.g. Zara/Benetton/American Apparel)
✓ As these companies have developed a greater international store network, more offshore sourcing has occurred
<i>Mid-market retailers with collaborative relationships</i>
✓ QR concepts applied offshore
✓ Development of international sourcing and distribution hubs
✓ Use of full-package intermediaries (e.g. Li & Fung)
<i>Fast fashion retailers</i>
✓ Strong emphasis on sourcing from cheapest supplier
✓ Relationships can be short and variable
✓ Markets classified into short and long lead times
✓ For Western European retailers, a gradual shift from China to Vietnam; Turkey to Egypt and Romania to Moldova in terms of sourcing patterns

Ethics and Corporate Social Responsibility in Global Fashion Supply Chains

In addition to cost and lead-time pressure, a further SCM challenge in recent times has been the management of ethical issues in complex and fragmented global sourcing networks (Hughes et al., 2007), which was made more challenging in the recent economic downturn (Hughes, 2012). With increasing globalisation and vertical disintegration of the supply chain

in response to chronic downward price pressure, the high profile fashion industry became a focal point for the debate on sweatshops, child labour and worker exploitation (Smestad, 2009). For example, in 2010, following a media investigation into Indian garment suppliers, fashion retailers Gap, Next and Marks & Spencer faced strong media criticism of its alleged inhumane working practices, such as long hours, wage violations and forced labour (Chamberlain, 2010). In 2013, several Western fashion retailers were implicated in the tragedy of the Rana Plaza garment factory building collapse in Dhaka, Bangladesh, which killed over 1,100 people (Lund-Thomsen and Lindgreen, 2014). In 2017, Gesualdi and Lucchetti exposed the 'harsh conditions' imposed upon suppliers in a number of luxury Italian brands' footwear supply chains and the negative implications this had for working conditions. Tighter legislation has led to greater pressure on companies to consider the social and environmental impacts of their operations. For example, China's environmental law was significantly updated and effected in January 2015, with a specific focus on the fast fashion sector and a clear message to manufacturers to 'go circular or shutdown' (China Water Risk, 2016, p.1). Meanwhile, in 2013, India's ground-breaking reformation of company law mandates businesses of a certain size to spend 2% of pre-tax profits on CSR activities (Jain and Gopalan, 2017).

Despite vertical disintegration, companies are increasingly held responsible by consumers and the wider media for the social performance of their suppliers, and ultimately for the entire supply chain (Andersen and Skøtt-Larsen, 2009). For example, in 2010 Nike was pressured to make good its Honduran subcontractors' failure to pay workers \$2 million in entitled severance benefits when their factories closed down, despite the fact that the subcontractors were independent supply chain entities (Greenhouse, 2010). Luxury fashion's higher price points and the assumption of vertical integration (Kapferer, 2010) traditionally protected it from negative media press and consumer activism around social and environmental responsibility, but this is no longer the case (O'Flaherty, 2017), with several luxury brands implicated in recent high-profile campaigns, such as Greenpeace's (2016) Detox Catwalk, Change Your Shoes' (2016) Step Up and Fashion Revolution's (2017) Transparency Index.

Ethical issues are not confined to developing countries in the outer reaches of supply chains, as demonstrated by reports of sweatshop conditions in developed countries, including the UK. For example, in 2017, sweatshop conditions were found in Leicester-based garment manufacturers supplying fast fashion retailers (Armstrong, 2017). SCM initiatives in fashion supply chains must enable retail buyers and suppliers to reconcile ethical issues alongside the

commercial pressures of cost and lead-time. There is increasing legislation in certain areas, such as industrial pollution and modern slavery. However, because of the lack of universal regulations on social aspects of CSR in particular, these issues are usually managed at an individual company level by means of private and voluntary standards. These tend to be set through retailers' own ethical codes of conduct or via multi-stakeholder initiatives such as the Ethical Trading Initiative (ETI) (Christopherson and Lillie, 2005; Tallontire, 2007). Codes of conduct were initiated by US retailers during the early 1990s, with Levi Strauss & Co.'s 'Global Sourcing and Operating Guidelines' of 1991 being the first of its kind in the global fashion industry (Anderson and Skoett-Larsen, 2009). The following discussion illustrates the impact of fashion supply chain characteristics on CSR implementation and how SCM initiatives may be implemented to reconcile CSR requirements with the commercial challenges of the sector.

CSR in fashion supply chains

Universally accepted definitions of CSR remain elusive (Carrigan et al., 2017). In the past, CSR referred to social aspects such as human rights while sustainability was commonly related to environment issues (Bergman et al., 2017). Nowadays, the terms 'CSR' and 'sustainability' are often used interchangeably since social and environmental issues are intertwined and difficult to separate in practice. For example, Environmental Justice Foundation, a UK-based NGO which works to protect human rights to environmental security, recognises that social issues may result from environmental degradation and therefore focuses its efforts on the root cause, including use of pesticides and water in cotton growing. In this way, it understands social and environmental issues to be inextricably tied. Although the commonly quoted World Business Council for Sustainable Development's (1999, p.3) definition focuses on human aspects ('the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large'), current understanding suggest a more holistic concept including environmental as well as social aspects. This can be seen in Rasche et al.'s (2017, p.6) definition:

'CSR refers to the integration of an enterprise's social, environmental, ethical and philanthropic responsibilities toward society into its operations, processes and core business strategy in cooperation with relevant stakeholders'.

Similarly, Blowfield and Frynas (2005) noted that CSR is also an umbrella concept for the notion that companies have a responsibility for their impact on society and the natural environment, which may go beyond legal compliance and the liability of individuals, as well as the notion that companies have a responsibility for the behaviour of other trading partners in their supply chain network. These definitions move away from the previous voluntary characteristic of CSR focused on the notion of responsibility, despite the concept formally residing outside the law and regulatory environment. Within the fashion context, DEFRA's (2010) definition of sustainable clothing considers social and environmental aspects across the entire value and supply chain: 'sustainable clothing does not adversely affect people or the planet in its production, manufacture, transport, retail or end-of-life management' (p.5). Within the literature, the term 'sustainable fashion' is used interchangeably not only with 'eco-fashion' and 'green-fashion', but also with 'ethical-fashion' (Carey and Cervellon, 2014). Henninger et al.'s (2016) study on sustainable fashion from the perspective of micro-organisations and consumers discovered sustainable fashion is predominantly associated with environmental responsibility, but concluded that a broader understanding of sustainable fashion included social aspects too, to include 'local sourcing and production, transparency across the supply chain, traceability of work processes and (ideally) raw materials, environmentally friendly raw materials, and social aspects, such as safe working conditions and fair wages' (p.410).

Despite growing awareness of ethical issues in fashion supply chains, CSR implementation remains challenged by the context of the global fashion supply chain, in terms of commercial cost and lead time pressures, as well as the poor working conditions, weak regulatory compliance and corruption often encountered in the production contexts of less-developed countries (Schwartz and Tilling, 2009; Ruwanpura and Wrigley, 2011). Globalisation has led to a situation whereby multinational corporations based in developed countries are able to apply local standards to their operations in less developed nations in order to maximise profits (Werther and Chandler, 2005). Invariably, host country regulatory standards on issues such as pollution, discrimination and wages appear inferior to accepted home (typically 'developed') country standards. Boström and Michelletti (2016:370) noted the significant governance challenges of sustainable fashion production, given the 'globally stretched, complex, and fragmented supply chains' in textiles and apparel. The move from vertical integration to buyer-driven networks enabled retailers to maintain economic control over their global supply chains without liability for the social impact thereof of their operations (Sobczak, 2006; Gereffi et al., 2005). Fashion retailers have often been accused of

'chasing cheap labour across the globe' (Maitland, 1997, p.420) while failing to pay living wages, using child labour, ignoring human rights abuses, being complicit with repressive regimes by denying workers the right to join unions and failing to enforce minimum labour standards (Maitland, 1997).

Despite the development of ethical codes of conduct and audit procedures to guide socially responsible practices, these have questionable effectiveness, given the complexity of global fashion supply chains (Mares, 2010). Three areas, in particular, present significant challenges for the supplier to uphold ethical requirements: lead time, flexibility and cost (Acona, 2004), as evidenced in reports on the mass market (Hearson, 2009; Starmanns, 2017) and luxury footwear (Gesualdi and Lucchetti, 2017). With unpredictable demand and shortening product life-cycles, retail buyers reduce their risk of under- or over-buying by placing orders as close to the season as possible; however, short lead-times and unrealistic delivery schedules increase the likelihood that suppliers may have to work overtime to complete orders in a timely fashion. Lack of advance commitment to orders and a requirement for supplier flexibility affects the supplier's ability to reasonably plan the demands on business resources and recruit the necessary permanent employees – instead necessitating the use of temporary workers who may also belong to vulnerable social groups such as economic migrants. Pressure to reduce garment cost could also force the supplier to lower wages and fail to pay overtime. Extended payment terms, which vary widely from 30 to 160 days, put added pressure on CMT suppliers that need to pay wages on time, and particularly on full-package suppliers that must also pay for fabric and trims in advance. However, fashion retailers often request more. For example, in 2013, Monsoon Accessorize requested a 4% retrospective discount from all suppliers, as well as an increase in payment terms from 60 to 90 days (Hurley, 2013) while Laura Ashley requested a 10% discount on cost price from suppliers with immediate effect, including on orders already placed (Cookson, 2013). In 2018, Arcadia, the parent company of Topshop, Dorothy Perkins and Topman, requested a further 2% discount from suppliers on all existing and future orders, purportedly to recoup costs of investment in technology, distribution and staff (Sholl and Geoghegan, 2018). Given these competing demands, Pickles et al. (2006) noted that as order volumes and contract manufacturing prices declined in Western Slovakia, compliance with codes of conduct became more tenuous for suppliers. Such conflict between managing commercial requirements and ethical demands was neatly summarised by a factory manager of an Indian Walmart supplier in Hearson's (2009:7) study:

‘Of course Walmart has many compliance standards. If we try to implement all of them, we can sit at home. No production will happen... To ask us to complete production with a code of conduct is one thing and to implement it is another thing.’

As the competitive challenges of the sector give rise to retailer buying practices designed to minimise buying risk, reduce cost and increase frequency of shipments, there is a need to reconcile CSR implementation and concern for ethical issues with the competitive challenges of the fashion sector. Research suggests that certain SCM initiatives may partially overcome the conflict between commercial demands and ethical requirements in fashion supply chains (Perry and Towers, 2013). In Sri Lanka, a key garment sourcing location with a reputation for ethical and environmental production, Perry et al.’s (2015) research found evidence of long-term partnership relationships between garment manufacturers and mid-market retailers, characterised by trust, commitment and a drive for continual improvement. Collaboration and coordination between buyers and suppliers enabled suppliers to achieve cost reductions as well as improve agility by developing fashion product closer to demand, without a detrimental impact on worker welfare. By collaborating with buyers during product development or by integrating design and product development into the sourcing task, suppliers could reduce lead times and also uncertainty, resulting in less likelihood of order changes or cancellations further down the line. Long-term relationships build trust and facilitate buyer-supplier interactions as the supplier understands the buyer’s requirements more quickly and is more willing to move towards those requirements, which support the presence of better working conditions (Starmanns, 2017). Frenkel and Scott’s (2002) empirical study of Asian athletic shoe manufacturers found that collaborative trading relationships were dynamic and promoted joint learning and innovation, whereas compliance-type relationships were characterised by the setting of functional targets which merely resulted in their achievement and maintenance, rather than a push for further improvement. Upgrading from CMT to full-package manufacture may lead to some degree of empowerment for the supplier, which may offer potential for improved employment opportunities and working conditions (Palpacuer and Parisotto, 2003), though evidence for this assertion remains mixed (see Blažek, 2016).

Conclusion

The trend for timely fashion has resulted in a wide ranging restructuring of international supply chains as retailers have had to adapt to the simultaneous challenges of downward price

pressure, higher product variety and shorter product life cycles. The shift to offshore sourcing has been a key feature of fashion supply chains more widely over the last 20 years as Western retailers seek to reduce costs while maintaining flexibility and responsiveness. However, complex global subcontracting relationships reduce visibility and control of ethical issues in the fashion supply chain, with a number of social and environment scandals reported in recent years. Correspondingly, there are increasing calls for transparency in supply chains in recent NGO campaigns, including Fashion Revolution (2017), Change Your Shoes (Spetzler, 2016) and Greenpeace (2016), which implies that retailers need to have knowledge of the outer tiers of their supplier networks.

Implementing CSR initiatives can be justified by the need to protect the reputation of the retail brand and ensure supplier business sustainability and capability enhancement. Such initiatives ultimately lead to a reduction of risk in sourcing. By adopting a SCM approach to trading relationships, fashion retailers may reap the potential of improved supply chain performance and reduce compromises to CSR at the factory level. By building closer relationships with fewer suppliers, sharing information and integrating pre-production activities such as product design and development, fashion retailers can reduce time-to-market without compromising worker welfare in factories. Adopting such SCM principles promotes sustainability in supply chains and helps to maintain ethical standards by overcoming the negative effects of retail buying practices. It also progresses supplier CSR performance beyond that which is achievable via a short term, coercive, compliance-based model - in particular, the principles of shared goals and collaborative ways of working moves the focus onto a long-term and partnership oriented relationship. This encourages suppliers to be innovative and take ownership of CSR, driving it through their businesses to cascade best practice throughout the supply network for the benefit of all supply chain partners.

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