Clothing goes global

Today, the clothes we wear may have travelled more than us. The shirt below is a good example. Produced for a large retailer in the United States by a mega company based in Hong Kong (China) with branches in different countries, it embodies the globalizing nature of the textiles and clothing trade.

The shirt costs US$ 6.30 to produce up to the shipping point. With transport to the United States and duty, the cost is US$ 8.50. Bringing the shirt to the shop raises the cost to US$ 11.30. Finally, it is sold at a retail price of US$ 28.

Illustrating the changing roles of buyer and supplier, the clothing manufacturer has taken over management of supply and distribution as well as production. Through the retailer's "open books" practice, the manufacturer has access to information about stocks in the retailer's warehouse. When it sees stocks are low, it automatically increases production, ships the garments to the retailer and then sends an invoice.

Small producers in LDCs have an uphill struggle to compete against such suppliers. Individually, they cannot offer an integrated service. They need to build connections between themselves to develop economies of scale, identify complementary products and refine their skills in order to stay in this rapidly changing business.

TAL APPAREL LIMITED

Passport of a shirt

- **Cotton:** Pakistan. Good-quality source, manufacturer trusts fabric mill with selection.
- **Yarn:** Malaysia. Regional vertical integration with fabric mill.
- **Fabric:** Malaysia. Choice of dyeing techniques and good relationship with main producing company.
- **Interlining** (collar and cuffs): Malaysia and Japan. Interlining is a higher-value, capital-intensive product.
- **Buttons:** China. The buyers specified the supplier for this component only — the manufacturer arranged everything else.
- **Garment:** China. Company-owned factory puts the shirt together.

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