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for distorted distribution in the global apparel industry
[Book Review]**

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Citation:

MOSTAFIZ, Md Imtiaz (2022). The contest for value in global value chains –
correcting for distorted distribution in the global apparel industry [Book Review].
Thunderbird International Business Review. [Article]

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Book review

The Contest for Value in Global Value Chains – Correcting for Distorted Distribution in the Global Apparel Industry

Lilac Nachum and Yoshiteru Uramoto (2021) **The Contest for Value in Global Value Chains – Correcting for Distorted Distribution in the Global Apparel Industry**, Edward Elgar
Cheltenham, United Kingdom, 192 pages, ISBN: 9781800882140

Reviewed by

Md Imtiaz Mostafiz¹

Executive summary: This article reviews the book written by Lilac and Yoshiteru on the global value chains in the global apparel industry. This review highlights various essential aspects of the book, such as value creation, appropriation, and value distribution in the global value chains. In addition, a few other areas also have been discussed which were not covered in the book, such as the immediate dynamics and long-term changes in the global value chains in the apparel industry due to exogenous shocks, such as COVID-19. Finally, a few limitations are mentioned, and new avenues are discussed for future editions.

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Lilac and Yoshiteru dedicate this book to the 1134 garment workers who lost their lives due to negligent safety conditions in a factory in Bangladesh. This book addresses multiple pressing issues in the apparel global value chain (GVC) by shedding light on the GVC distortions, value creation, appropriation and distribution that the actors relish by participating in the GVC. Moreover, the book eliminates the confusion surrounding *apparel brands* versus *apparel manufacturers* as often readers misinterpret the role of global factories with the global brands. Specifically, the book explains the GVC distortions in the value distribution, the reasons, and the solutions in the apparel sector. The differences between value creation and value appropriation by various GVC participants have been revealed, and the implications for GVC actors have been drawn out for appropriate value distribution.

Bangladesh is a case in point. It plays a critical role in the apparel GVC and is ranked second only to China. It employs millions of workers (primarily women) in the apparel industry, satisfying around seven per cent of the global apparel demand. Business leaders in big brands are now thinking of introducing additive manufacturing and robotics technologies to facilitate seamless production facilities; however, at what cost? Because most of the big brands enjoy value appropriation by selling goods produced by the contract manufacturers, mostly in Asia, negligence in safety happens when maintaining low manufacturing cost. Therefore, often these contract manufacturers get calls from the big brands concerning safety and labor issues. The book also addresses this critical matter and offers governances in advancing equality and societal commitments to achieve sustainable development goals.

In the conventional apparel GVC, firms in Bangladesh mainly play the contract manufacturer role. However, this practice has been challenged recently, and researchers have identified opportunistic behaviors among these contract manufacturers (Mostafiz et al., 2022).

Such behaviors lead to investing in marketing by having international sales and distribution centers and significantly pouring resources in R&D to compete nationally and internationally. In addition, a new participant in the apparel GVC has been identified as a middle man between the lead firm and manufacturers. They are called as *buying houses*. These buying houses are highly proactive in seizing manufacturing contracts from lead firms, placing orders to the manufacturers in Bangladesh, and as an intermediary, hence, participating in the value creation process. Surprisingly, these buying houses are not only domestically owned but also owned by Indian and Chinese firms operating in Bangladesh. Thereby, the apparel GVC is changing, and new practices are evolving.

Backward integration is another critical issue that the Bangladesh apparel industry is currently struggling with. Lilac and Yoshiteru nicely demonstrate the importance of backward integration. Due to the exogenous shocks such as COVID, the entire supply chain has been broken, and the adverse effects are still ongoing. Due to this, lead firms have started prioritizing countries with the ability to produce garments based on their own raw materials. After China, Vietnam is pioneering backward integration with the vision of '*one country all production*'. The Bangladesh government and the members of BGMEA are showing high interest in building the backward integration as mentioned in the book; however, it is not sufficient to meet the production demand and satisfy the global market. Pre-COVID, apparel manufacturers in Bangladesh were dependent on Chinese suppliers for accessories such as buttons, levels, elastic bands, as well as fabric, especially synthetic fabrics. However, COVID significantly challenged this practice and forced apparel manufacturers in Bangladesh to source raw materials and accessories from alternative suppliers, mainly from the local markets, to avoid delays in port and transportation.

Therefore, the value creation processes and value capture in the apparel GVC have changed during and after COVID. Traditionally, the lead firms or big brands determined the suppliers (i.e. nominated suppliers). However, during the lockdown and amid uncertainties in China, lead firms had no choice but to allow manufacturers to source from their networks. This adjustment in the governance of the apparel GVC also impacts the power asymmetry between lead firms and contract manufacturers. As a result, the Government of Bangladesh realized the necessity of backward integration and made a considerable investment in developing a new apparel raw material manufacturing industry. This enables apparel manufacturers to capture more value by sourcing locally, reducing logistics costs and notably minimizing the lead time from order placement to delivery of finished goods. Chapters 4, 5, and 6 articulate the process of value capture.

Apparel production is an industry where a significant level of human involvement is required. However, due to technological changes, the end of multilateral agreements and dynamic demands, big brands are revamping their business models. Consider Zara, for example, a company located in Spain that prioritizes production outsourcing from closer proximities such as Portugal, Morocco and Turkey. They are still required to achieve cost leadership. However, Zara is achieving it without an over-dependency on China, Bangladesh, or India. Because the company emphasizes shorter lead time, it avoids logistics and distribution costs (i.e. shipping), which are needed if production happens in factories located in South-East or Central Asia. Like apparel, footwear manufacturing is also a labor intensive industry. However, recent progress in process innovation and technological advancement, such as Adidas using 3D printers to satisfy niche markets, is getting popular among big players in the footwear industry. Likewise, the recent introduction of Amazon's high-tech clothing store in the USA and a combination of 3D

printing and the adaptation of robotics in the apparel sector could ultimately challenge the value created by labor. Hence, labor as a claimant of the value creation will become weaker and disappear eventually.

On the other hand, consumers (as the external claimant) of the value will increase as the dynamic demand of fast fashion increases. When big brands start allowing consumers to design their products digitally and deliver the finished goods within a very short period of time, then the perceived value of the product will increase simultaneously. Because it will have an impact on the overall purchasing behavior, Lilac and Yoshiteru have highlighted the level of fragmentation in the market due to online shopping behavior, and it has increased exponentially post-COVID. With a low-switching cost, the markets are becoming more competitive, and demand for fast fashion (i.e. shorter lead-time apparel products) has increased significantly. As a result, consumers' impulsive buying behavior will increase due to online social networking, and the gap between purchase intention and actual buying behavior will decrease.

Achieving social justice and the equal distribution of value in the apparel industry of Bangladesh is far from being reached. This is a country with a population of 170 million with a low human development index and with an industry that suffers from unrest, forced labor, and low wages. It is true that "inadequate value distribution of an organizational form that creates so much value affects the well-being of millions of people around the world and undermines global value creation potential and opportunities" (p. 104), and interdependences can offer a solution to the adequate distribution of the value creation. However, can we entirely emerge out from buyer-driven apparel GVC? Is it possible to amend the demeanor of GVC participants (mostly the lead firms or big brands)? In an industry where around four and half million workers in Bangladesh are not adequately educated, and this enables manufacturers to employ labor with low wages

leading to low manufacturing costs that facilitates lead firms to relish cost advantages. Does the pressure by societies realistically reduce power asymmetries? Figure 8.1 offers interdependence relationships in the GVC, and figure 8.2 exhibits how NGOs, social activists, and other pressure groups can amend the behavior of GVC actors and correct the distortions in the value distribution in GVC. Lilac and Yoshiteru's contribution to the literature on apparel GVCs focusing on Bangladesh is timely and substantial. However, the book fails to capture the dynamics caused by COVID as apparel is one of the sectors badly hit due to its over-dependency on global supply chains. In short, there are numerous lessons one may take away by reading the *Contest for Value in Global Value Chains – Correcting for Distorted Distribution in the Global Apparel Industry*. The book makes for an interesting read for practitioners, academics, and those interested in gaining knowledge of the GVC distortions and the value creation and appropriation in the apparel industry of Bangladesh. Hence, it is also recommended for policymakers and managers wanting to understand the Bangladesh apparel market and its dynamics, and most importantly, those undertaking related business activities in Bangladesh.

Reference

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