

Industrial Upgrading in the Apparel Value Chain and the Role of Designer in the Transition: comparative analysis of Sri Lanka and Hong Kong

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Abstract - *The apparel industry is a major export industry in Sri Lanka that depends upon labour intensive manufacturing. The Sri Lankan apparel industry is transitioning from Cut, Make, Trims (CMT) assembly and Original Equipment Manufacturing (OEM) to Original Design Manufacturing (ODM) and Original Brand Manufacturing (OBM), experiencing the economic benefits of apparel product export. The transition relies on having expert professionals who can provide creative, commercial, technical, and leadership skills in the process. In order to identify the creative roles and responsibilities that can contribute to the industrial upgrading process in Sri Lanka, this paper first provides an analysis of the global apparel value chain and the journeys of the countries with newly industrialized economies (NIEs) in the region. Second, a comparison of Hong Kong and Sri Lankan apparel industries contextualises the development of fashion design within each nation's industry as a competitive advantage. In each country we examine three factors that demonstrate growth in fashion design: development of fashion design education; development of exportable own brands; and the establishment of local showcases to a global audience. The examples of both Hong Kong and Sri Lanka demonstrate the ways in which creative roles may act as a bridge between production and marketing networks, buyers and producers in maintaining and building industry value-adding for highly sophisticated and competitive fashion production systems. Although the Sri Lankan apparel industry has not progressed as far as Hong Kong in this arena, evidence suggests the industry is actively growing design capabilities.*

Keywords: *Apparel value chain, Industrial upgrading, Fashion designer, Sri Lanka, Hong Kong SAR*

INTRODUCTION

The global apparel manufacturing industry is a buyer driven consumer goods industry in which buyers (fashion retailers and marketers) commonly from developed countries, relying on full package network (production sharing/outward processing) from manufacturers (jobbers) most commonly located in developing countries. Apparel production is viewed as a pathway to economic development, and conceptualised as the "typical 'starter' industry" for a country focused on economic upgrading via its export industries [1 p. 37]. For Sri Lanka (SL), apparel exports account for 43% of the country's GDP, demonstrating apparel production's significant role in

the economy [2]. The Sri Lankan apparel industry is transitioning from Cut, Make, Trims (CMT) assembly and Original Equipment Manufacturing (OEM) to Original Design Manufacturing (ODM) and Original Brand Manufacturing (OBM), experiencing the economic benefits of apparel product export [3]. In contrast, Hong Kong's apparel industry developed from CMT in the 1960s and 1970s to become a major service provider for the global apparel industry [3]. This transition from CMT to higher value activities relied on expert professionals who provided creative, commercial, technical, and leadership skills in the process. This paper examines the journey of Sri Lanka and other with newly industrialized economies' (NIEs)

industrial upgrading in the apparel value chain from CMT assembly to ODM/OBM, using Hong Kong (HK) as a focal point.

APPROACH AND OBJECTIVES OF THE STUDY

The context within which the Sri Lankan export apparel industry sits in the global fashion system will be explored through the lens of the regional industrial upgrading process. These insights will be used to explore the cases of Hong Kong and Sri Lankan apparel industries. The factors and the applications of NIEs approach in the industrial upgrading into developing countries will be identified.

Specifically, the approach used to explore this topic is to map the current position of NIEs and developing countries' apparel industries in respect to CMT, OEM, OBM and ODM within the Asian region; and examine the role of design in upgrading of Hong Kong and Sri Lankan apparel industries via case study comparison.

RESULTS AND DISCUSSION

Mapping the current position of NIEs and developing countries' apparel industries in respect to CMT, OEM, OBM and ODM within the Asian region

Apparel manufacturing for the international textile and apparel market is one of the world's oldest, most globalised and leading export industries, providing employment for millions globally [3],[4]. Due to its low-fixed cost and labour-intensive production, the apparel industry has become one of the main facilitators for economic development in countries that engage in export-oriented apparel manufacturing [5]. Gereffi and Memedovic [6] identify three main business models in the apparel value chain, representing lower to higher value-adding. Cut, make, and trim assembly (CMT) is a process in which the apparel production companies are provided with imported inputs (textiles, trims) for garment assembly. The original equipment manufacturing (OEM) is undertaken according to the design provided by the buyers, while suppliers finance and provide production-related services. Original brand manufacturing (OBM) business model emphasises and develops the apparel manufacturer's first expertise on OEM, and the final stage is original design manufacturing (ODM) and sale of their own brand products [4]. These four business models are not equivalent but rather a hierarchy – CMT is the lowest in terms of value addition and OBM is the highest.

The modern 'apparel value chain' involves industries in developed and developing nations together with NIEs (such as India, Thailand, Malaysia, HK Special Administrative Region (SAR), China, Turkey, Brazil, and Mexico, Turkey). Cattaneo, Gereffi, & Staritz [3] indicate that there are three main types of leading firms in the global apparel value chain: retailers, brand marketers, and brand manufacturers. The most valuable activities in the value chain are found in design, branding, and marketing of products but not in manufacturing. Thus leading global retailers and brand owners in the apparel industry outsource manufacturing through global networks of suppliers. Figure 1 shows the apparel value chain as spanning from raw material networks, component networks, production networks, and export networks to marketing networks. These networks are enabled through different interaction, negotiation and mediation between buyers and vendors, people and products. The retail network is one in which the lead firms have control of almost all the networks within. This study focuses on the production networks, export networks, and marketing networks in the value chain, as creative and design roles in the industry necessarily span all of these networks.

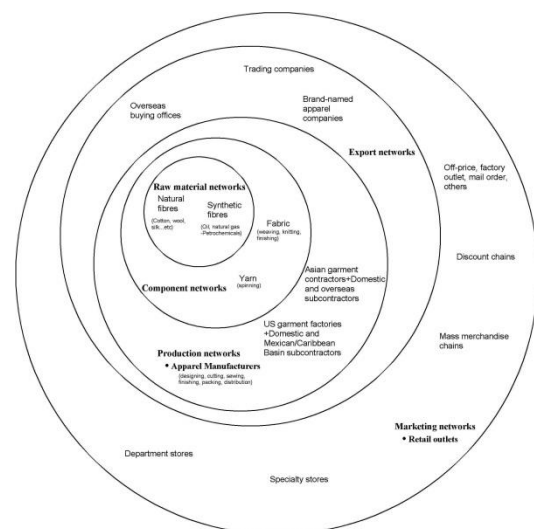


Fig. 1. Map of the networks within the apparel value chain; Image: Author 1, 2016, based on the data from Gereffi and Memedovic [6 p. 5]

Global textile and apparel industry has undergone several production migrations involving the Asian region since 1950s. In the 1950s and 1960s the industry migrated from North America and Western

Europe to Japan leading to a sharp rise in textile and apparel production. Next, in 1970s and 1980s, manufacturing shifted from Japan to HK, Republic of Korea and Taiwan, as well as “Southeast Asian countries (Thailand, Indonesia Philippines, and Malaysia) and Sri Lanka.” [6 p.9]. In the 1990s the industry migrated from Asia (HK, Taiwan, and Korea) to other developing economies in Asia. The new suppliers in the apparel value chain included South Asian and Latin American apparel exporters [7]. This migration was not only based on the labour intensive segment of production being relocated in the countries with the lowest wages but also based on the government policies on export apparel activities, appreciation and depreciation of currency in relation to the buyers’ currency in the production countries.

Further, the apparel import for US, European Union (EU) and Japan were regulated by the Multi-Fibre Arrangement (MFA), a trade agreement on quotas and preferential tariffs of apparel and textiles items in place since the early 1970s [3]. The MFA system was intended to secure the domestic manufacturing industries of chief consuming countries by imposing country limits on the volumes of certain imported products. MFA later phased out with World Trade Organisation (WTO) agreements on textile and apparels (1995-2005).

Our mapping of imports from NIEs and developing countries to the world’s chief importers of apparel, Europe, US and Japan (Figure 2) reveals the geographical shifts in production. As seen in Figure 2, Pakistan, Bangladesh, India, Cambodia, Vietnam, and Indonesia showed an increase of export apparel shares for US during the period 1996 while the apparel export shares dropped from Sri Lanka, Singapore, Malaysia, Philippine, Taiwan, Hong Kong SAR, and Rep. of Korea. European apparel import shares show a growth from Sri Lanka, Bangladesh, India, Vietnam, and China in the given period except Malaysia, HK SAR whose export apparel share declined. All Asian suppliers have shown a drop of apparel export shares in Japanese market during the period, excluding China and Vietnam. Figure 2 clearly demonstrates the competition between NIEs and developing countries in the Asian region for production sharing of three major consuming countries while China being the leading supplier for all.

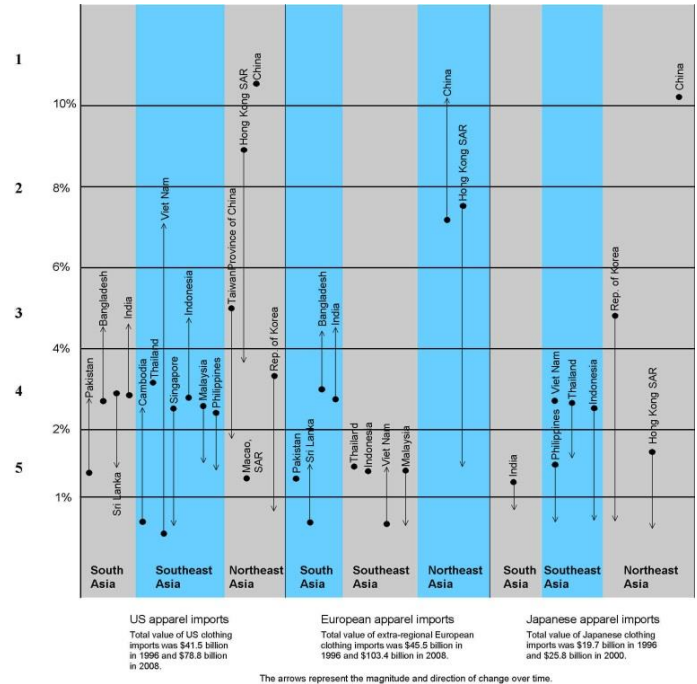


Fig. 2. The shift in the regional structure of apparel imports (1996-2008) for US, Europe, and Japan from Asian NIEs and Developing countries.

Image: Author 1, 2016, based on the data from Evenett, Hoekman, & Cattaneo [8 pp. 339-341]

The ending of the MFA in 2005 led to developing countries such as Bangladesh, Sri Lanka, and Pakistan having to compete with much larger, low cost manufacturing countries like China and India in the global trading system. However, even after elimination of the MFA in 2005, overall Asian apparel exporters remained in the premium level of high-volume appeal business based on the quality of product development (PD) and timely delivery [6]. Kelegama [9] states that, “in transition from MFA to post-MFA China has been the far best performer” [9 p 582]. However, in 2004 and 2005 the US and EU limited Chinese textile and clothing imports into their markets via anti-dumping legislation and regulations agreement. This limited China’s growth to some extent, and the legislation remained in place until 2015. Additionally, developing countries in Asian region benefited by the trade diversification [9].

One of the key successes in East-Asian buyer-driven apparel production industry was upgrading from CMT to locally integrated and higher value added full package supply systems, or OEM production. Firms in this region (for example in Japan) subsequently pushed the boundaries from OEM to OBM by integrating

design as value addition as well as providing expertise in production [1]. Through integrating literature, report and World Bank data, we map the present position of Asian NIE and developing countries' apparel industries between CMT and ODM (Figure 3). Figure 3 shows the shift in the regional structure of apparel manufacturing of NIEs and Developing countries from CMT to OBM based on key literature [3],[6],[10] analysis. Figure 3 demonstrates that HK has been the most successful OEM to OBM shifted clothing companies in East Asian NIEs, and hence is examined as a case study in the following section. In the 1990s, as Gereffi [1] reviews, Taiwan province of China, the Republic of Korea, HK SAR and Singapore made a quick shift from CMT assembly to OEM and soon became full-range package suppliers for overseas buyers. However, as wages rose in these newly industrialised economies (NIEs), they started coordinating full-package network (service providers) while some African, Latin American, and other parts of Asian countries providing CMT services for them [6].

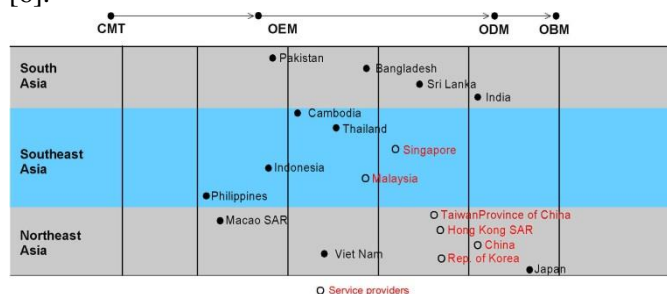


Fig. 3. The shift in the regional structure of apparel manufacturing of Asian NIEs and Developing countries; Image: Author 1, 2016, based on Cattaneo, Gereffi, & Staritz [3]; Gereffi & Memedovic [6] and World Bank report [28].

Today, China holds the largest share of the global apparel trade (41%) yet the number is expected to decline as China switches production among sectors in response to rising wages while moving up in the global value chain into higher-value goods such as electronics [10]. South Asia's top export apparel producers are Bangladesh (\$22.8 billion exports), India (\$12.5 billion), Sri Lanka (\$4.4 billion), and Pakistan (\$4.2 billion). Each producer has made significant investments in their respective apparel industries, and combined, these South Asia producers account for 12 per cent of global apparel exports [10].

Many studies support the notion that higher order, value-adding design and creative skills are essential in the process of an export-oriented apparel industry progressing from CMT production to advanced levels such as OEM and OBM [3],[12],[4]. Cattaneo, Gereffi, & Staritz [3] highlight that the direct access to buyers, strong managerial and technical skills, quality and delivery standards, new product development (PD) skills, and creativity have been successful factors in manufacturing countries upgrading their business models in the value chain. In the following country-specific case studies, the pathways of Hong Kong and Sri Lanka are examined with reference to the key creative roles required in the upgrading process, in which teams of fashion design, technical, product development, buying, and retailers collaboratively develop fashion products for timely introduction into the market. These cases demonstrate that the creative roles act as a bridge between production and marketing networks, buyers and producers in building and maintaining industry value-adding for highly sophisticated and competitive fashion production systems.

Examining the role of design in upgrading of Hong Kong and Sri Lankan apparel industries via case study comparison

Case Study 1: Hong Kong in the Apparel Value Chain

Evolution of the Apparel Industry

The Hong Kong (HK) export oriented garment industry has been developing since the 1950s and was shaped by the Cold War, its industrial geography and the "poorly paid labour force of Chinese refugees and sojourners" [13 p. 327]. The West has been the most sophisticated and profitable market for HK since then. Nevertheless, with the competition from other third world countries for garment export to the West, HK's export strategy of price reduction was not enough to sustain the industry. The quota system was introduced by USA and Europe in the 1960s for international fibre trade [3],[13] to limit the growth of garment export from developing countries, making it difficult for HK apparel industry to survive. Thus in the 1960s the HK garment industry urgently considered increasing the value of their exports with value addition of fashion [13]. The development of the HK fashion industry began, with leading industrialists taking a keen interest in design [13]. Consequently the first design education programme was set up in HK's technical institutions.

In 1967, HK's Trade Development Council focused on the needs of the garment industry and developed the first trade fair, the 'Festival of Fashion,' now known as Hong Kong Fashion Week. The 'Festival of Fashion' established a high-profile image of HK fashion that continues even today [14].

As Skov [13] notes, in the 1980s HK underwent a major industry transition in partnership with China, enabling the establishment of Special Economic Zones in Southern China. Thus, many HK garment factories shifted their production (assembly and knitting) to China, keeping the specialized functions such as management, design, quality control in HK. In the 1990s, mass-customization and large-scale marketing of designer labels emerged, with HK acting as an intermediary between Western brands and developing country's factories [13]. HK clothing companies developed ODM and OEM production in the apparel value chain in this context [12]. Yet even though there are successful HK labels such as Esprit and Episode, the HK entire apparel industry has not been very dynamic in branding and marketing, and a general weakness in fashion design was identified as a lost opportunity for HK in the 1990s [15]. However, the high-value-added service-enhanced products of the twenty first century became a development strategy to integrate manufacturing and service industries. Service industries account for 82% of GDP in HK economy, and rather than manufacturing, HK now acts as a key regional trade hub and service provider in apparel [16].

HK as a mediator in the apparel value chain demonstrates industrial upgrading at its best through working between fashion retailers and producers to deliver full package service [3] by connecting production and marketing networks [17] via offshore sourcing. The skill-intensive activities in the value chain, that is the higher value-added tasks such as design and back-end responsibilities such as quality assurance are retained in HK. Labour-intensive and lower value-added activities such as sourcing and apparel production are relocated to appropriate locations elsewhere in the world [18]. Global supply chain management firm Li & Fung is a successful company in HK that offers these extended services in which dedicated teams work closely with retailers to bring their products to market, drawing on trends, retail research, creative skills and technology to design, produce, and deliver timely product [4],[18],[19]. Additionally, customers' (retailers, buyers) specific direction or needs are considered in conceptualizing

products. Between brainstorming, designing and prototyping (concept to completion) Li & Fung describe their creative team as taking a hands-on approach in providing supply chain services that improve pricing, quality, quantity and delivery of products to enhance speed to market. Additionally Li & Fung states that the company assesses production factories globally based on their competencies to supply the correct product and based on their commitment to improve quality, safety and compliance [20].

The Role of Fashion Designer

HK has been a fashion and design center for more than thirty years [13]. Fashion in HK is defined through the factors of 'social attitude', 'psychological satisfaction', 'aesthetic presence', and 'historical revival' [21]. It has been identified as a medium of reflecting people's modern lifestyle and represent social standard in a period of time that brings out personality and characters of the wearer while enhancing the aesthetic beauty. As cultural intermediaries [13], HK designers add cultural and aesthetic values to garments by transforming from subcontracting companies into designer-driven brand creators, even though they were rarely in power to decide business strategies.

The export-oriented garment industry has been the main employer of fashion designers in HK [13]. Some designers employed by local chain stores (C2000, Giordano, Reno and Donna) while others work for export companies making collections for industries such as casualwear or knitwear. Skov [13] notes that HK companies rely on overseas buyer's specifications in order to avoid organisational isolation of fashion design. When the overseas designer electronically sends a drawing or sketch of a design the HK company designers will interpret or translate it into to a sample. This requires a higher degree of standardisation of work process. However, as Tam, Chan, Chu, Lai, and Wang [22 p. 230] note "there is no specific design image representing HK which is easily recognized internationally" thus seen to be "important for the local designers to establish their own images for the overseas market" through being associated with the historical background of HK. By the late 1990s HK focused on Asian markets, and designers were able to work for Japanese companies. However, by the late 1990s, HK designers were provided with more job

opportunities with the growth of Chinese market [13]. HK fashion designers in many cases occupy a marginal position in the organisational structure thus need to stand on their own without the support of senior designers or the team. Skov [13] further indicates that designers' routines differ from the other work in the garment industry and clock in clock out procedure is highlighted to be restless for their creative ideas.

Fashion design education is mature in HK, having been established since 1960 [14] and more fashion schools and universities such as HK Design Institute, Institute of Textiles & Clothing, and the HK Polytechnic University emerged since then, providing a high quality education focused on developing a skilled and professional workforce for the industry [23]. The individuality of the fashion designer is strengthened by HK fashion design schools and the students are forced to rely on their own ideas and experience through project based learning [14]. The maturity of both fashion education and outward looking Fashion Weeks in HK are key factors demonstrating the industry's creative success and sophistication.

Case Study 2: Sri Lanka in the Apparel value chain

Evolution of the Apparel Industry

Sri Lanka initiated export oriented readymade garments production from 1970 onward. After liberalization of the economy in 1977, the apparel industry in Sri Lanka took off mainly based on quota-hopping [24].¹ East Asian exporters relocating their established business to Sri Lanka [25], [9]. Currently, apparel manufacturing industry in Sri Lanka is the largest industrial sector accounting for 43.2% of total exports and 56.4% of industrial product exports [9]. Ready-made garment exports from Sri Lanka account for close to 95% of all textile and garment exports for prestigious international brands such as GAP, Marks and Spencer, Victoria's Secret, Abercrombie and Fitch, Liz Claiborne, labels such as Tommy Hilfiger, Ralph Lauren, Pierre Cardin, and premium sportswear such as Nike [25],[9],[26]. However, heavy reliance on ready-made garment manufacturing for growth and development has made the Sri Lankan apparel

manufacturing industry vulnerable to global economic shift and policy changes such as elimination of the MFA in 2005 and the global economic meltdown in 2008 [9], [24].

The industry is mainly depending on imported raw materials [24] such as fabric and accessories (80-90% fabric, 70-90% accessories) therefore severely hindering production speed and increasing lead-time [9]. Industry challenges include increased international competition, backward integration, low worker productivity, shortage of labour, high production cost, and government interferences on wage structures and taxation policies [9]. These issues aside, the apparel industry in Sri Lanka is reputed for ethical manufacturing and known to the world as a producer of "garments without guilt" by launching world class environmentally friendly factories, free from child or forced labour and sweatshops [27]. Additionally, well-established industrialists have made a mindful effort in specializing in high value-added "niche" products. Consequently exceptional export growth has been seen in certain product categories (e.g. in 2004-2005 women's underwear export from SL to the US increased by 145%) [9].

The industry is one of the most prominent in Sri Lanka [25] and is attractive for female workers, resulting in high potential in creating job opportunities for the poor in the country. Eighty per cent of apparel works in Sri Lanka are female, and employment affords them opportunities for greater social wellbeing, for example through access to better health care and education for their children [10]. As Lopez-Acevedo and Robertson [10] highlight, more can be done in order to realize Sri Lanka's potential to be a regional clothing manufacturing hub in order to create more jobs and increase opportunities.

The apparel industry in Sri Lanka overtakes other South Asian countries in terms of product quality, "lead time, reliability, along with social compliance and sustainability". As Lopez-Acevedo and Robertson [10] highlight, China gradually decreasing its apparel manufacturing therefore Sri Lanka has potentials to gain global apparel manufacturing market share as investors seek out apparel firms in Cambodia, Vietnam, Indonesia and South Asian countries. The apparel prices in Sri Lanka are higher than competitors compared to other regional apparel exporting countries, however Sri Lankan firms produce more sophisticated products, ensuring the industry remains competitive [10]. Therefore, the World Bank

¹ A practice of avoiding trade quotas by registering a business abroad in order to benefit from another country's quota.

recommends that Sri Lanka should implement policies and seize this opportunity to become a regional hub that leads in apparel manufacturing, creating further job opportunities, allowing more women to enter the work force and expanding products and end markets to increase skills and values [28 p. 182].

Alongside the export apparel industry, national creative platforms such as Sri Lanka Design Festival and Colombo Fashion Week have also burgeoned as a showcase for the country's growing creative activities [29]. The Sri Lankan Design Festival (SLDF), initiated in 2009, has been one of the most business friendly commercially successful global platforms in the region [30]. SLDF has created new business partnerships thereby promoting design-driven growth opportunities for the fashion and apparel sector in Sri Lanka, and realigning the traditional crafts industries with the apparel industry therefore seek potential opportunities to enter into export market. Colombo Fashion Week (CFW) was initiated in 2003 with a vision of creating global impact for the growing Sri Lankan fashion design industry [31]. The objectives of CFW are to present an efficient fashion eco-system, committed to promoting the best Sri Lankan fashion design to a global audience. It has given local designers a platform of international exposure, press, intellectual property rights, developed and showcased craft skills, and provided financial support to progress in the fashion industry [32].

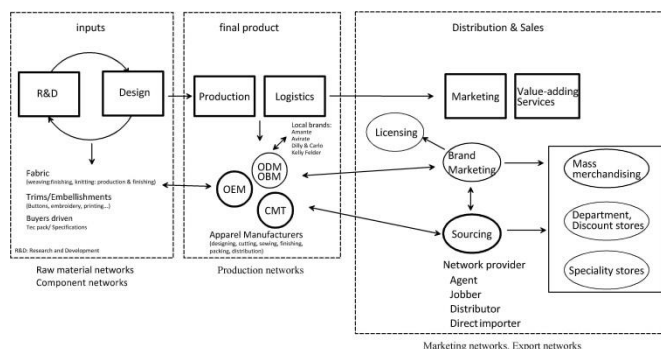


Fig. 4. The apparel value chain - Sri Lanka's position; Image: Author 1, 2016, based on the data from Cattaneo, Gereffi, and Staritz [3] p. 177, Gereffi & Memedovic [6 p. 5], Kelegama [9], Senanayake [29]

Figure 4 highlights the current production and service activities undertaken by the Sri Lankan export apparel industry in the apparel value chain with regards to raw material, production, and marketing

networks. The industry chiefly processes imported woven fabric (dyeing and finishing), produces and processes knit fabric, and develops trims such as buttons, tapes, and labels. Other inputs have to be imported. The three major Sri Lankan apparel companies, MAS, Brandix and Hirdaramani, have each successfully adopted backward integration through gaining control of suppliers earlier in the supply chain, thus enhancing their ability in "providing total solutions" for the industry [25],[33]. For example, Brandix Group comprises Casual wear, Intimate Apparel, Lingerie, Essentials and Finishing divisions, and has formed backward integration partnerships (Brandix Textiles, Textured Jersey Lanka, and Quenby Lanka Prints) that provide essential raw material and service for apparel manufacturing [34]. Sri Lankan firms provide sound research and development service in this process.

In the product development (PD) sector, the industry mainly coordinates and develops buyer driven tech packs (in CMT & OEM) while integrating design (ODM) as a value added service. Sourcing is one aspect of this. However, very few well-established companies provide design (ODM) as a total solution for the apparel value chain. Nonetheless, Sri Lankan firms are investing highly in logistics and technology for CMT and OEM in order to compete with other regional apparel manufacturing countries. Major apparel manufacturers such as MAS, Brandix, and Hirdaramani are positioning themselves as network orchestrators. For example, the procurement of Brandix city in India and Hirdaramani in Bangladesh are vital moves in the SL industry for backward integration of the supply chain. Thus positioning Sri Lanka as a regional hub could be a future possibility. In the local context, the apparel industry is evolving to OBM with a number of local brands such as Amante (owned by MAS Brands), Avirate, Dilly & Carlo, and Kelly Felder being designed and manufactured to export scale, therefore demonstrating the country's ODM capabilities to international retailers.

Identifying the creative roles and responsibilities that can contribute to the industrial upgrading process in Sri Lanka

Sri Lanka: The Role of Fashion Designer

Up until the new millennium, the export apparel industry in Sri Lanka had little or no interest in expanding the business approach and focused only on CMT assembly [29]. Introducing design as a value-

added service for the manufacturing industry was based on an industry review in the early 2000s by industry pioneers, Joint Apparel Association Forum (JAAF) and the Sri Lankan government in order to increase the competencies through value additions, to become a “provider of fully integrated services” [9],[33] for export apparel manufacturing. To this end, fashion design education was introduced in the Sri Lankan higher education system in 2001 [9],[29]. The public University of Moratuwa was first to offer a Bachelor of Design degree in Fashion Design and Product Development in 2001, in addition to its well-established textile and apparel technology degrees in the Bachelor of Science in Textile and Clothing (offered since 1993). The Bachelor of Design programme was organized under the consultancy with the London College of Fashion and the first cohort of its twenty students graduated in 2005. Since then, several private colleges have emerged in Sri Lanka, catering to the increasing demand of the industry for fashion design graduates, as well as to the increased popularity of fashion design as a career choice in Sri Lanka [9]. However, more than a decade after establishing fashion education in Sri Lanka, and with hundreds of fashion design graduates [29], little is known about the graduate outcomes and their career trajectories in the export apparel manufacturing industry. Thus, identifying the prominent roles in the industry and aligning education in order to develop graduates’ knowledge, skills and applications with industry needs is vital in order to understand the role design education may play as the industry develops.

Fashion designers in the Sri Lankan apparel industry work in a business to business (B2B), buyer-driven (since 1980s) manufacturing environment [1]. For this reason, there are less direct design opportunities, and at present overseas designers hold the responsibility of conceptualizing designs in the business to customer (B2C) environment [33]. Sri Lankan designers look after most of the tasks in the product development process from design sketch to final product, based on designs sent by overseas designers [33]. Few apparel manufacturing companies in Sri Lanka initiated ODM [4] beyond the CMT/OEM of the apparel value-chain while the leading firms reached to the OBM in local context [29]. One of the main tasks of the Sri Lankan apparel industry designers is to re-engineer apparel products for overseas buyers/designers with a sound sense of cost factor, without changing the “look”. The designers are

also expected to work hand-in-hand with overseas design houses to expedite the sampling process, minimising the errors and miscommunications, and therefore reducing the sampling cost and lead time in the B2B industry [35]. Thus they work as mediators between buyers, overseas designers and product developers in the production and marketing networks.

CONCLUSION AND RECOMMENDATION

In the South Asian region, Pakistan, Sri Lanka, Bangladesh engage in CMT and OEM businesses and respectively are progressing to ODM business models in the apparel value chain. Cambodia, Indonesia, and Thailand operate chiefly in CMT businesses, and Singapore and Malaysia additionally provide OEM services to the apparel value chain. Most of the Northeast Asian countries have developed their industry to providing services to the apparel value chain and upgraded to ODM and OBM business. HK as a mediator in the apparel value chain demonstrates industrial upgrading at its best through working between fashion retailers and producers to deliver a full package service triangular manufacturing by connecting production and marketing networks. Fashion designers in Hong Kong function as cultural intermediaries [14] as well as value providers in triangular manufacturing. In contrast, fashion designers in the Sri Lankan apparel industry chiefly hold product development approaches while working with mediators (such as HK designers). However the understanding of social, cultural, and aesthetic aspects of design are important for both HK and SL designers.

In addition to HK’s strong establishment of fashion design by working a mediator in the apparel value chain, HK’s successful fashion showcases (Hong Kong Fashion Week), building of aesthetic knowledge and technical expertise through design education, and the strategies adopted by the industry in developing and positioning themselves in the apparel value chain (closeness to China as a manufacturing hub to which HK firms could outsource) are vital to the development of a sophisticated industry. For Sri Lanka, moving into the higher levels of the apparel values chain may position the industry as a South Asia apparel manufacturing hub. With SL designers’ strong technical expertise and established textile and apparel education, further creative and design education could be an added advantage in this context. That Sri Lanka now has several own brands (OBM) developed under well-established manufacturers (MAS Brands) and

catering to regional and local consumers, is a positive marker of the industry's increased sophistication and progression along the upgrading pathway.

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