Navigating supply chains beyond COVID-19

KATIE SHAW, COO at the Open Apparel Registry, looks at how apparel supply chains might evolve in the wake of COVID-19 and suggests brands will need better, more accessible supply chain data moving forwards

T here's little doubt that shockwaves have been sent through the complex global supply chains that the apparel sector is built on as the impact of COVID-19 has been felt around the world. As major international brands raced to minimise losses driven by the forced closure of brick and mortar stores, logistical and safety challenges at warehouses and a downtick in consumer purchases, apparel sector headlines have been dominated by the ramifications this has on factory groups and workers in producing countries, highlighting the power imbalance of apparel supply chain procurement.

Like many others, the apparel sector is still reeling from the effects of the global lockdown prompted by COVID-19 and, while speculation abounds as to how different countries or industrial sectors will begin to emerge from the crisis, it's hard to say what the short-term outcomes will be for the apparel sector.

But, longer term, might there be some benefits from this crisis, as we learn lessons from these major supply chain disruptions and businesses think through which systemic changes need to be made?

Supply chain scenarios

From our vantage point at the Open Apparel Registry, we see a number of potential scenarios on the horizon:

Subcontracting increases, at least in the short term, as brands continue to exert pressure on factory groups to meet rapidly shifting purchasing requirements and facilities scramble to match orders with the manufacturing skills and machinery required for production. As brands simultaneously deprioritise sustainability, the need for supply chain mapping and a focus on human rights becomes greater, and civil society is forced to step in to fill the gap left by brand sustainability and ethical trade teams.

A small handful of savvy, responsible brands will continue to prioritise transparency and open data, recognising that the momentum behind greater disclosure will not disappear in the aftermath of COVID-19. If anything, the benefits of understanding and sharing supply chain data will become greater, as brands have lower budgets available to them individually, but are collectively able to pool resources to continue improvement programmes and other initiatives.

Longer term, supply chains will be pared back as brands look to reduce costs and simplify the complexity their operations are precariously built on. Alongside this consolidation, there will likely also be a shortening of supply chains, as brands seek to bring manufacturing closer to the final point of sale. That being said, it's probable that the sector will see some geographic diversification in its supplier base, having been exposed at the start of the COVID-19 crisis by an over-reliance on Chinese manufacturing.

With the simplification of supply chains comes lower logistical demand, both in transporting products, and employee travel - wins from the environmental, as well as the cost perspective.

Factory groups will begin to take ownership of brands, even launching their own labels in a bid to reduce their dependence on unreliable contracts with clients. Groups such as Arvind Limited in India already own the local licensing rights for brands such as Tommy Hilfiger and Calvin Klein, enabling them to better cater to the tastes and wants of their local markets. Will we see more factory groups globally follow suit, enabling them to better protect their cash flow - and workers - during challenging economic times?
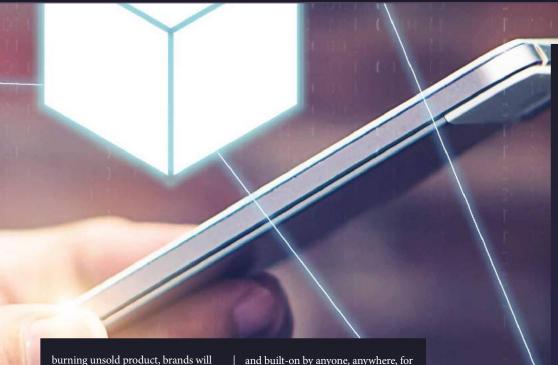
Production will shift to meet new demands from customers. The need for PPE is a long term one. As well as needing to continuously replenish medical grade supplies which, by their very nature, are disposable, there will be opportunities to meet an increased need for PPE as countries around the world learn the lesson of being caught short when the pandemic hit and subsequently work to build up stockpiles of vital equipment.

In addition to this, the daily use of face masks looks set to grow, as more countries announce mandatory rules for citizens to wear masks in a bid to ease lockdown and reduce the spread of the disease until a vaccine is found. What might have been considered a short term shift to face mask production could, in many instances, be a longer term switch as wearing face masks is normalised globally and they become as vital an accessory as a waterproof jacket on a rainy day.

As well as these likely shifts, here are two wildcards to consider:

The industry slows down as consumers emerge from lockdown and realise they don't need as many low cost, high turnover garments as they were previously buying. Prompting further supply chain simplification, will factory groups respond to the storage challenge of brands struggling with overstock by acting as storage centres, rather than manufacturing facilities?

Following the Burberry incineration scandal of 2018, which exposed the common practice of global brands

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burning unsold product, brands will be under pressure to account for how they've dealt with Covid-induced excess inventory without burning it or dumping it on African countries. Might it be more cost effective for both brands and facilities to switch to a storage arrangement, with products being sold in subsequent seasons, or redirected to a different hemisphere than originally planned, rather than producing more stock that brands could ultimately still struggle to sell? This will create a marketing need to switch 'past season' products to 'next season's must-haves' - a challenge that will be embraced by creatives at the more responsible brands.

Manufacturing units switch from garment production to garment recycling, as a way to deal with the overstock challenge whilst continuing to generate income. Although there has been much excited industry chatter for several years now about the circular economy, the technology to recycle at the scale required simply doesn't exist - yet. As R&D continues and factories act as storage facilities, could those same facilities then transition to become the hubs that roll out textile recycling at scale when the technology has caught up with sector ambition and need?

Inherent in all of these scenarios - both the likely and the wildcard ones - is the requirement to better understand, map and trace supply chains and, ideally, to share this data in an open data format. Open data is data that can be freely used, shared

and built-on by anyone, anywhere, for any purpose.

Why open data?

Thanks to the efforts of organisations such as Fashion Revolution and the Transparency Pledge Coalition, hundreds of brands have been publishing supply chain details - at least for some of their operations - for several years. As the annual Fashion Transparency Index from Fashion Revolution shows, more and more brands have begun to disclose supplier information over the years and the notion that supply chain data is part of a brand's competitive advantage no longer holds sway.

However, laudable as these transparency efforts have been, the sector is still plagued by two key problems relating to supply chain data:

• The *quality* of the data, even at as basic a level as name and address information

• Data being dispersed in disparate databases or buried deep in hard-to-find areas of brand websites in different, incompatible, and non-machine-readable formats

These are two challenges that we have sought to overcome through open data, firstly through the Open Apparel Registry (OAR) and, secondly, in partnership with other sector organisations by establishing the Open Data Standard for the Apparel Sector (ODSAS).

The OAR is a neutral, open source tool mapping garment facilities

worldwide and allocating a unique ID to each. Organisations which have uploaded and make regular use of the OAR not only benefit from better quality name and address information and the unique OAR IDs for their facilities by syncing their data with the tool, but they also have greater visibility into which other organisations share connections to the same facilities, offering ample opportunities to collaborate.

As the sector is forced to tighten its belt and cut costs across the board, such collaborations could both bring social and environmental benefits to supply chains and cost savings, too.

Through ODSAS, we at the OAR have collaborated with other organisations including WikiRate and the Clean Clothes Campaign to provide simple, practical guidance to anyone in the apparel sector disclosing data as to why the format in which data is shared matters. We share information on which are the most useful formats to use to disclose data, and the data points to share for the benefit of all.

A key revelation for many organisations is that data locked away in PDFs is virtually unusable in any meaningful way. Through ODSAS, we encourage stakeholders to share data in a downloadable, machine-readable file at a regular, common frequency in either csv, json or xlsx (Excel) format. The devil's in the detail, but this approach enables all organisations to make far better use of the data being shared, moving transparency from a tick-box exercise to one that can create meaningful change in supply chains.

The more progressive organisations which have already done this work and properly manage on-going supply chain fluctuations are better able to respond quickly to industry shocks, adapt and reprioritize accordingly.

In the future, mapping against sustainability risks in supply chains, such as water scarcity or modern slavery hotspots, will provide an even deeper level of insight still for how conditions in supply chains can be improved.

Web: http://openapparel.org/

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