BUILDING BLOCKS FOR GOVERNING THE GARMENT INDUSTRY

WORKING PAPER 1

SIZING UP THE GARMENT INDUSTRY:

LARGE BRANDS,
SUPPLY CHAIN LABOUR MARKET SHARE,
AND LESSONS FOR GOVERNANCE DESIGN

KATALYST INITIATIVE

KATALYST INITIATIVE

BUILDING BLOCKS FOR GOVERNING THE GARMENT INDUSTRY

WORKING PAPER 1

SIZING UP THE GARMENT INDUSTRY:

LARGE BRANDS, SUPPLY CHAIN LABOUR MARKET SHARE, AND LESSONS FOR GOVERNANCE DESIGN

About the *Building Blocks for Governing the Garment Industry* series:

This series aims to assist policymakers, labour advocates, civil society actors and anyone else interested in designing the new forms of governance needed to improve protection of human rights and the environment in transnational supply chains. With garments as a test case, we hope to help 'catalyse' new, multi-disciplinary strategies to make 21st century supply chains fairer and more sustainable.

CONTENTS

INTRODUCTION

This paper began from two simple questions:

1. How many garment brands would need to change their behaviour in order to reach a 'critical mass' leading to widespread improvement in respect for human rights and the environment?

2. How should governance and regulatory efforts be designed to help achieve that critical mass?

The questions of *Who needs to be regulated?* and *Following what logic?* are fundamental to good governance design. This paper begins to address these questions about an extraordinarily complex industry employing millions of people.

It is part of a planned series exploring the 'Building Blocks' that we believe are needed to design and implement a robust, effective and democratically-based system for governing global industries. It aims to illuminate poorly-documented aspects of the industry's power and financial relations based on real-world data – some previously unavailable. The analysis then explores how current and future governance solutions need to take the industry's structure into account in order to be effective.

The paper is divided into two parts, corresponding to the questions above. In Part I we examine what industry data tells us about the potential collective impact of the largest North American and European garment brands. With a focus on the top 150 'brands' in the industry, Katalyst 'followed the money' and developed a model for estimating these companies' collective supply chain labour market share. We consider different garment business models that qualify as 'brands' for human rights and environmental governance purposes, and outline the steps we took in developing our estimates.

While our work clearly illustrates that further data and research is needed to fully understand the industry as a whole, the analysis presented here already generates insights vital to regulatory debates currently underway in Europe and beyond.

Part II begins to explore some of the policy implications of this research and suggests some next steps. Katalyst's Working Paper 2, a companion piece to this paper, continues this discussion in greater detail, outlining ways in which a better understanding of the garment industry's structure can lead to better governance design.

Scope of the paper

This paper focuses specifically on what are colloquially referred to as 'global garment brands' – the lead firms in garment supply chains who commission garments to be manufactured. In particular we focus on brands active in Europe and the US. As a first paper, aimed at informing regulatory debates in individual European countries, the EU and the US, this was both a logical and practical way to keep the scope of the work manageable.

Nonetheless, Katalyst sees a clear need to expand the logic of this paper in the future to brands based in other parts of the world, and to companies at other supply chain stages, such as cut-make-trim or raw materials production.

This paper is primarily focused on human rights and labour issues, however we believe the analysis and governance implications are also directly relevant to a range of environmental issues. The two topics share many root causes, and will likely need to share many solutions. We hope this paper will therefore be of use to our colleagues specialising in environmental issues as well.

PART I: WHAT KINDS OF BRANDS SHOULD BE SUBJECT TO NEW FORMS OF HUMAN RIGHTS GOVERNANCE?

On the face of it, the answer may seem obvious: From an ethical perspective, at least, *all* brands should be subject to human rights and environmental governance.

As many governance experts point out[1], however, translating ethical assertions into governance systems that achieve a stated goal – for example, protecting the human rights of large numbers of garment workers – is a complex undertaking. It requires a keen understanding of the context in which the governance systems have to operate.

Even in the best of circumstances, resources for regulation and enforcement are limited. Choices have to be made about how to apply those resources to achieve the greatest regulatory impact with the lowest enforcement expenditure.

Given these limitations, there is an instinct among many government policymakers and other governance designers to focus on regulating the largest companies in an industry as the most effective way to achieve maximum impact.

For example, the new German supply chain law (*Lieferkettengesetz*) uses number of employees as a measure of company size. The law will only apply to companies with more than 1000 direct employees when it comes fully into effect in 2024. This logic makes a lot of sense in highly-concentrated industries, where a small number of companies dominate the marketplace.

The garment industry, however, has a different structure, and requires a different logic.

Most industry observers are aware that garments are not a particularly concentrated industry, though the degree of concentration has not been well-documented. Nonetheless, we observe much regulatory thinking - often emerging from other industries - remains focused on targeting a small number of large companies.

There is no denying that the largest garment brands are very large, but as we explore in this paper, they do not dominate the garment industry the way major players do in other industries.

As a result, if new regulations only apply to the largest brands - even taken as a group - it does not appear that the majority of garment workers would benefit from whatever protections they are designed to provide.

For governance purposes, it is important to assess the *collective* reach and impact of companies in any given industry. So we started our analysis with a fairly straightforward question:

What is the supply chain labour market share of the world's largest garment brands?

1 We have found *Regulatory Thinking: Theory and Practice*, edited by Peter Drahos, to be a fantastic open access resource for business & human rights actors looking to integrate governance thinking into their work. Please see our Working Report 2 for other recommended readings on governance and supply chains..

Labour market share calculations – especially in outsourced supply chains – can become extremely complex and technical. Different disciplines, (e.g. labour studies or employment law) view this issue through different frames. For the purposes of this paper, however, we are considering these questions from a perspective informed by the UN Guiding Principles:

Does a worker make a product that has been commissioned by a given brand? If so, they are part of that brand's supply chain, and should be impacted by the human rights regulations that brand is subject to (such as a human rights due diligence law).[2]

Yet applying this logic to the garment industry quickly becomes complicated. It is critical to remember is that garment brands almost never own factories or employ workers directly, and consequently do not possess e.g. employment records for the people who make their products. Lack of information about brands, suppliers, workforces and the relationships between them is a major problem for governance design, especially given the massive scale of the industry.

The laudable work of initiatives such as the Open Apparel Registry, the Transparency Pledge and the Bangladesh Accord have all helped to fill gaps in our collective understanding. We have worked from the opposite end of the supply chain to complement these efforts and begin to map out the relationships between brands and garment workers at an industrywide level.

FOLLOWING THE MONEY WHEN OTHER DATA IS UNAVAILABLE

Because data about supply chain labour market share is so sparse, Katalyst has taken a different approach – following the money. We use the market share of brands who commission garments to be made as a rough proxy for labour market share. We see this as a sort of 'rough and ready' financial analysis, and an effort to use the information that *is* available to start to answer important questions about the industry[3].

While financial and company registration data for brands is far more reliable and accessible than supply chain employment data, it is also not perfect. The systems that shape and collect it were designed for other purposes – such as informing investors or measuring economic growth.

We have had to compile information from various sources, starting with standard financial metrics drawn from the Orbis database. We then augmented this data with in–house research and analysis by Katalyst to compile important data points not captured by standard reporting systems. Katalyst also worked to identify the appropriate 'parent company' reporting consolidated financial information, to ensure we are comparing 'apples to apples.'

2 Similar logic applies in supply chain regulations for environmental protection. Katalyst seeks to explore where they may overlap and bolster one another.
3 A number of mapping resources helped to inform our approach, including papers by Kaplinsky & Morris; and Frederick.

WHERE TO BEGIN? THE 'BIG 150' BRANDS ACTIVE IN EUROPE & THE US

As noted in the introduction, there is a instinct among many government policymakers and other governance designers to focus regulation on the largest companies in an industry as the most effective way to achieve maximum impact. We therefore began our 'follow the money' research by focusing on the largest garment brands. To qualify as a 'large' brand, a company would need to meet each of the following three criteria:

I. More than €1,000,000,000 in total annual revenue for Fiscal Year 2019

II. Involved in the sale of garments: clothing, footwear, bags, accessories

III. Market presence in Europe and/or US

We extended the search beyond traditional garment brands to identify companies that sell garments but whose main business may be something else. For some very large companies – for example supermarket and hypermarket chains, garments may only represent a small percentage of their revenues. But in real terms that can amount hundreds of millions or billions of euros per year.

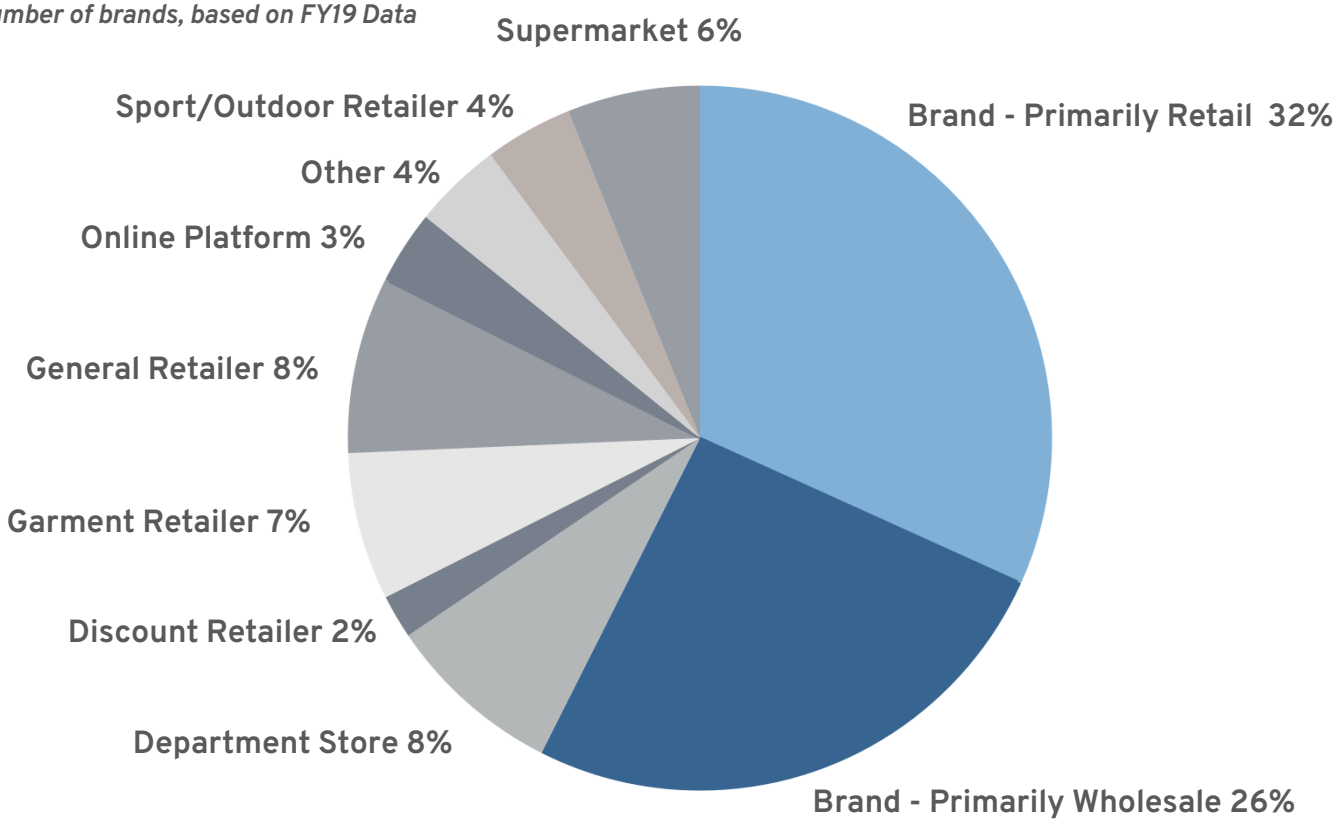
Searches on standard coding systems like NACE or NAICS do not necessarily reflect such business realities, so we also relied on other sources, such as multistakeholder initiative member lists, to identify large 'non-traditional' garment brands.

It is also worth noting that we omitted home textiles – which can be made in the same factories as clothing – and home repair centres, which often sell workwear from this analysis. These sectors require further exploration in future work.

Using these criteria and sources, we ended up with a list of around 150 brands, which we call the 'Big 150,' and which form the basis of our analysis. Figure 1 illustrates the diversity of 'Big 150' brands.

Fig 1: 'Big 150' brands commissioning garments to be made, by primary business

Number of brands, based on FY19 Data



In terms of developing regulations, it is noteworthy that many of the largest companies involved in the garment industry do not focus on garments as their primary business. This raises questions about whether and how these companies will prioritize garment human rights risks, as they may have other equally high–risk supply chains – e.g. agricultural products – that form a much larger part of their business.

It is also worth noting that a significant number of brands still sell much of their product in a traditional wholesale model through 3rd-party retailers.

Garment Business Models that Katalyst Considers as 'Brands'

The distinctions between various business models that commission garments to be made are somewhat artificial, as many companies are hybrids featuring multiple characteristics. Nonetheless from a governance design standpoint, it is helpful to outline some of the major common models. We define the categories used in this paper as follows:

Brand (Primarily Retail): Company that causes garments to be manufactured and generates more than 50% of revenue (and sometime 100%) through retail outlets they own. Examples: H&M, C&A

Brand (Primarily Wholesale) Company that causes garments to be manufactured and sells 50% or more via 3rd–party retailers. Examples: Nike, Hanes

General Retailer: Company that sells many products including garments, but garments are generally not the largest product line. May include a mix of own-brand and/or 3rd party product. Examples: Target, HEMA, Walmart

Department Store: The line between General Retailer & Department Store is fuzzy, but commonly department store product mix is dominated by clothing and price points may be higher. Examples: El Corte Ingles, Nordstroms

Discount Retailer: Traditionally buys overstock and odd lots from 3rd party brands, selling at a significant discount; though may also commission some goods from brands or directly from factories. Example: TJ Maxx

Garment Retailer: Main business is selling other brands' products, with limited own-brand sales. Example: Foot Locker

Online Platform: Typically sells a large number of brands, with no or few physical stores. May follow commission model, rather than wholesale model, and may have own-brand production. Examples: Zalando, Amazon

Sport/Outdoor Retailer: Large percentage of sales is sporting or outdoor equipment; may sell own-brand garments. Example: Decathlon, Dick's Sporting Goods

Supermarkets (including Hypermarkets): Main product line is food, with clothing as a small percent of sales. Examples: Carrefour, Costco.

While some of these definitions mirror existing coding systems such as NACE, we have not attempted to use such systems because 1. the methodologies used to distinguish between business types were designed for other purposes, and 2. codes do not always reflect the full variety – and hybridization – of business models, aspects of which are important for governance design.

ESTIMATING SUPPLY CHAIN LABOUR MARKET SHARE

There is a relationship between the total amount of time worked by world's garment workers and the total amount of revenue generated by the industry. This means we can use retail market share as a 'good-enough' proxy measure to estimate how concentrated or fragmented labour market share is. We use the smartphone industry as an example to illustrate the concept.

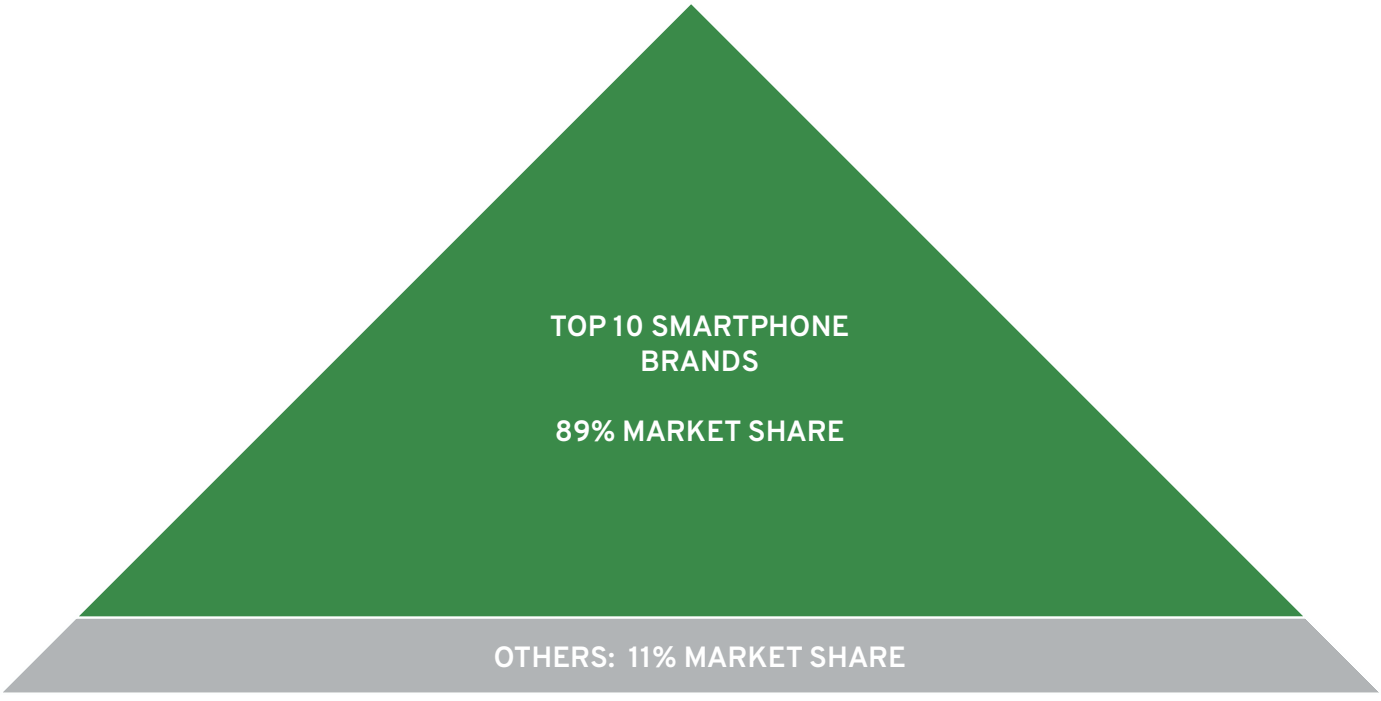
In highly–concentrated industries – where a small number of companies have most of the market share, the relationship between retail market share and supply chain labour market share is clear.

For example, ten companies make up 89% of the retail market for smartphones. If some form of governance can get those 10 companies to change behaviour, it can impact the lives of most of the people who make smartphones.

While this assertion about smartphones simplifies a situation that is more complex in reality, it also captures an essential relationship between lead firms in supply chains and the people who produce their goods[4].

4. Katalyst's thinking on the relationship between time, costs and responsibility owes a debt to the work of several colleagues on living wage implementation strategies, in particular Doug Miller and Klaus Hohenegger. Please see the references section for more details.

Fig. 2: Concentration of sales in smartphones, Q1 2021



Source: Omdia/Informa PLC

Samsung	22%
Apple	15%
Xiaomi	14%
Vivo	11%
Oppo	11%
Huawei	4%
Motorola	4%
Realme	3%
Tecno	2%
LG	2%

These ten brands may not represent exactly 89% of the workforce, but we don't need an exact percentage: we need to see that most of the workforce falls into the supply chains – and human rights due diligence, environmental, and other obligations – of a small number of companies. (As we go further down the supply chain towards raw materials used in other industries, this math may change. This remains one of the challenges in developing governance at increasing distance from lead firms.)

The smart strategies then, are to focus on those 10 companies to reach the most workers. And this is not to say the supply chains feeding these companies are simple, and that there are not other stakeholders with essential roles to play, or that smaller brands have no obligations. But in terms of achieving improvements for the largest number of workers, it makes sense to focus governance efforts on a small number of large corporations. As we show later, however, this is not the case for garments.

Shared Suppliers Complicate Calculations and Governance

One other issue greatly complicates the design of human rights governance for garments. **Nearly all garment brands share suppliers**. We explore this question in greater detail in our **Working Paper 2,** but to briefly summarize:

If Brand A has 100,000 garment workers in its supply chain, that does not mean that 100,000 people work fulltime on products for that brand.

Rather, 100,000 people will work, say, 10% of their time for Brand A, and then another 10% on Brand B's products. 50,000 may work 5% of their time on Brand C's products. And so on.

So even if Brands A and B are subject to a given law – for example requiring brands not to contribute to excessive overtime – the real–world impact of that law is likely to be very limited because it only covers 20% of those worker's time. Brands C, D. E and the rest of the alphabet can continue to mismanage their production calendars and cause excessive overtime.

This is another reason why mapping brand-supplier relations and figuring out how to bring a critical mass of brands together under a particular governance effort is so critical: you cannot respect the rights of 20% of a garment worker.

It is important to underline this difficulty is not an excuse to do nothing. For years a similar argument has been used by brands to justify inaction on living wages.

But as shown by the **Bangladesh Accord**, which prohibited any member brand from sourcing from a non-compliant factory, there are ways to overcome the challenges of shared supplier bases if the context is well-understood and the governance solution is properly designed.

THE CALCULATIONS FOR GARMENT BRANDS

Katalyst has developed a 3–step method for estimating supply chain labour market share in the garment industry, based on retail market share.

As we noted earlier, this is a 'rough and ready' kind of financial analysis, and in the future we hope to see it superseded by more robust data. But we believe even this early version of the analysis helps to point governance work in the right direction. This approach may also be useful in other industries where financial data could be a proxy for missing operational data.

The calculation process has been illuminating in terms of making clear what data would make a future analysis easier and stronger. We plan to share those findings in an upcoming paper.

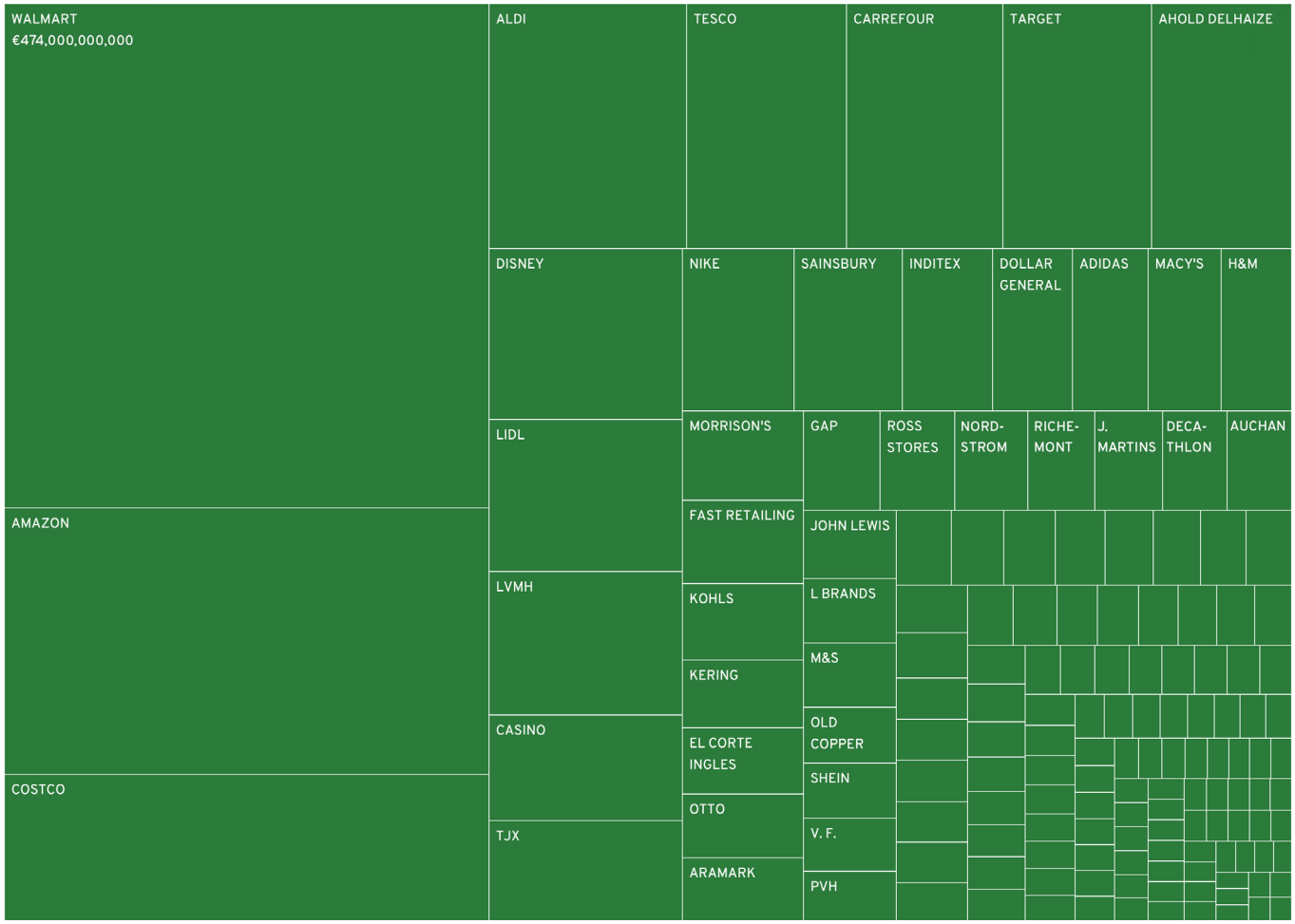
Step 1: Collect the total revenue generated by these companies in FY19.

Total revenue, or turnover, is simply the value of everything the company sells during the course of the year.

This is a standard metric reported by nearly all large companies, and is the foundation of our calculations. The data was obtained primarily from the Orbis database, which collates and standardizes financial data about millions of companies.

To give a sense of scale, Walmart's total revenue for 2019 was €474 billion; while Nike's was €35 billion. Total revenue, however, includes everything these companies sell. A department store's revenue for example includes, furniture, toys, etc. For companies that sell many kinds of products, total revenue tells us very little about garments. But it provides the basis for the rest of the analysis.

Fig. 3: 'Big 150' Brands active in Europe and US Markets
Total Revenue (Garment & Non–Garment) FY 2019
Est. €2,300,000,000,000



Step 2: Estimate the garment revenue generated by these companies.

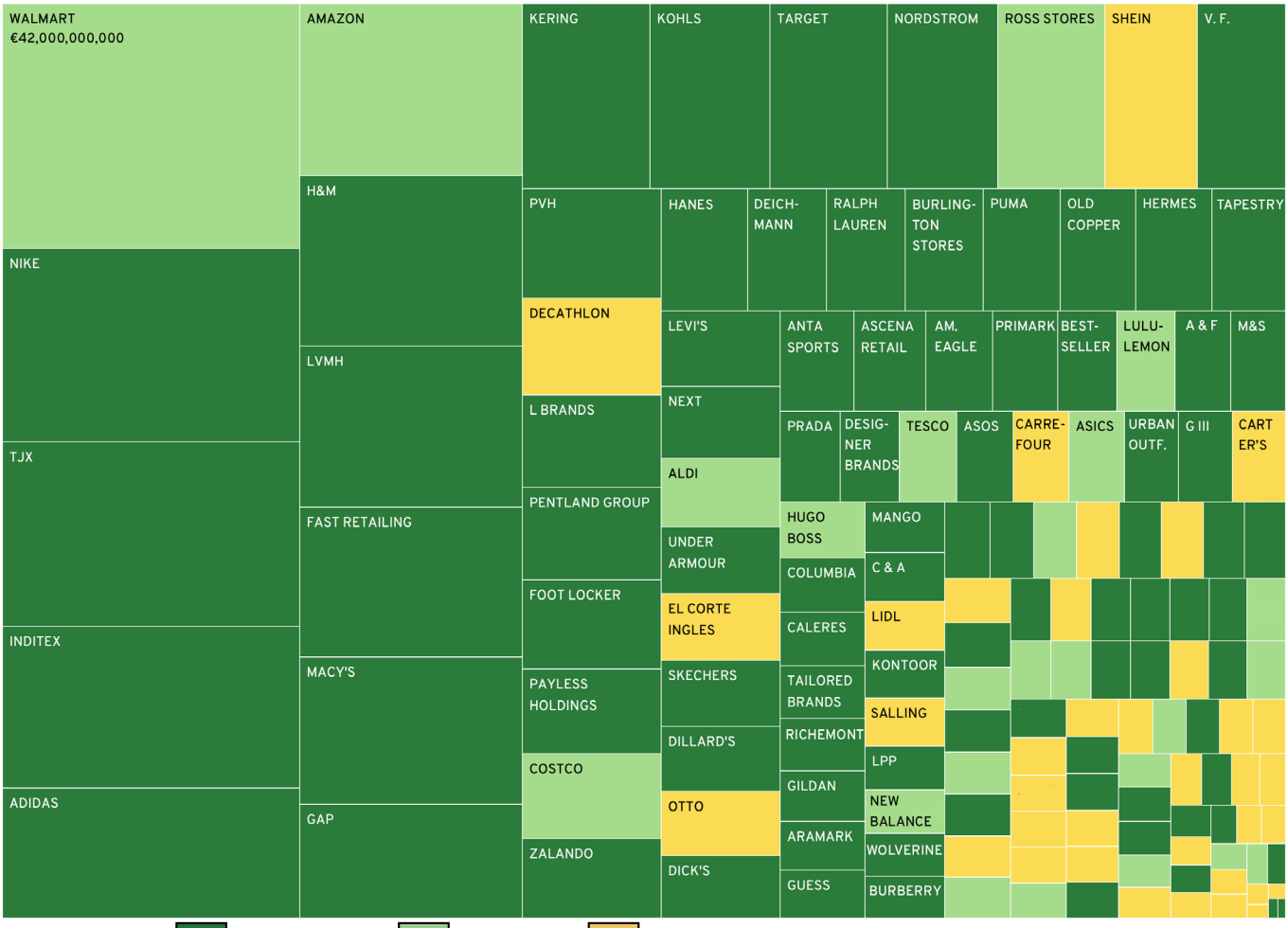
The next step was to separate out garment revenue from everything else sold by the 'Big 150' companies.

The breakdown of sales by product type is not a standard metric, and so had to be manually compiled from annual reports, analyst reports, news items, and in some cases simply making guesses based on similar companies. Companies often report product line revenues as percentages; e.g. our revenue is 50% garments, 30% perfume & makeup, and 20% other goods, which makes Step 1 essential.

Even among the largest companies we see changes in the ranking and relative sizes between total revenue and garment revenue.

These numbers still don't tell us how much of this revenue is from own-brand garments (e.g. garments the company has commissioned themselves from suppliers) and how much is 3rd-party retail (e.g. revenue from selling other brands' products). That analysis – which reflects a critical distinction in thinking about responsibility for human rights and environmental protection – is covered in the next step.

Fig. 4: 'Big 150' Brands active in Europe and US Markets Estimated Total Garment Revenue (Own Brand + 3rd Party Retail) FY 2019 Est. €690,000,000,000



(see p. 13 for definitions).

Step 3: Estimate the own-brand garment revenue generated by these companies:

Knowing 'own-brand' revenue is important because current thinking on human rights due diligence and other forms of governance generally assert that the company that commissioned the product to be made holds more responsibility for human rights due diligence (and other forms of human rights and environmental responsibility) than a company that merely sells the product[5]. Own-brand production is the basis for estimating supply chain labour market share.

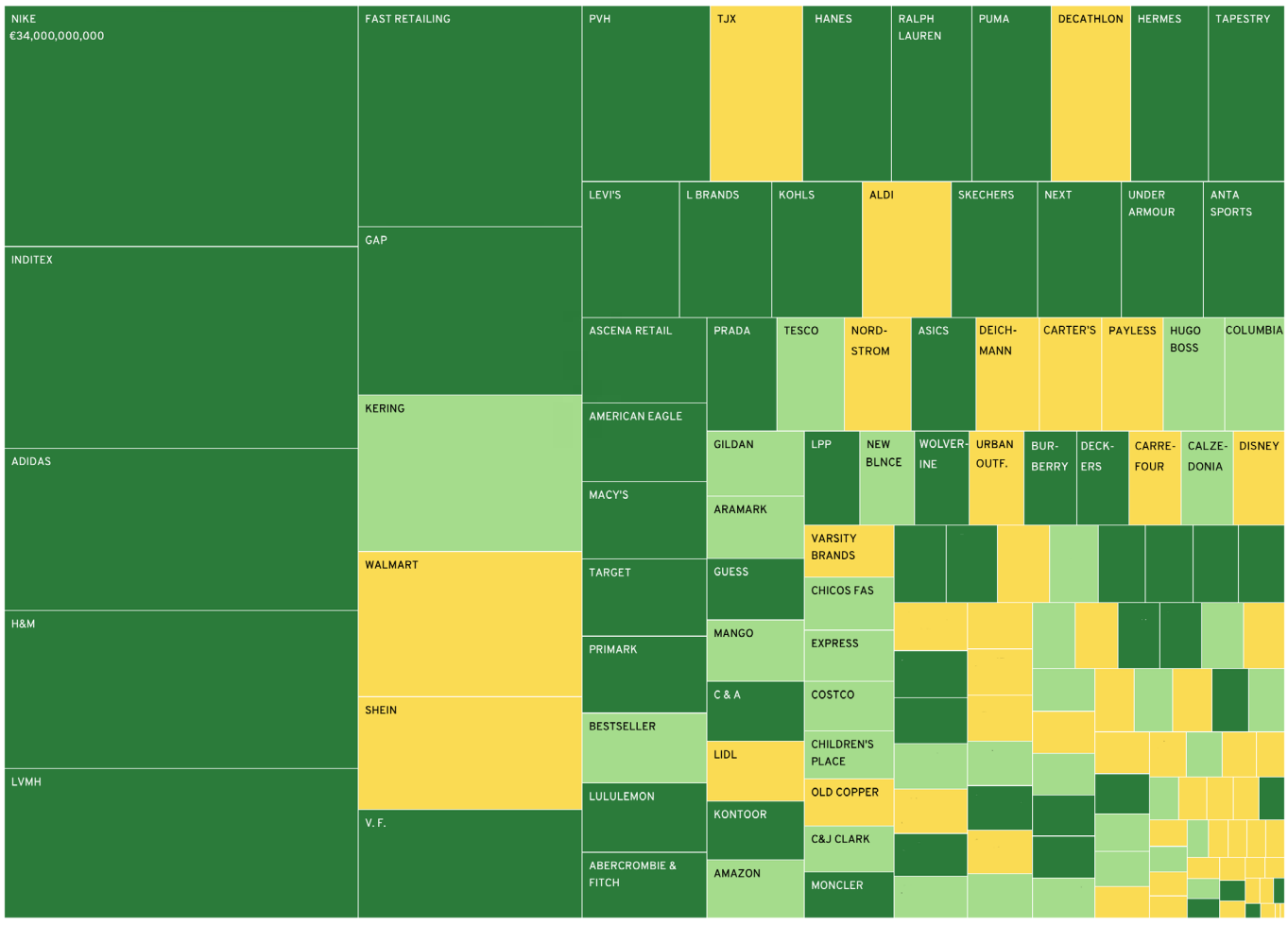
For that reason we need to separate out how much revenue is from own-brand product, and how much is from selling other brands' products.

As with overall garment revenue, own-brand revenue is not a standard metric, and is not reported universally or using the same categories. Nonetheless, enough information is available about enough companies in annual reports, 10-K filings and other documents to estimate their own-brand income.

The list of brands at the top of this chart will not be much of a surprise. Again, for perspective, Nike comes in at about €34 billion in own-brand sales.

What is visible in this graphic however is that the number of brands with tens of billions of Euros in own-brand production is very small; the list rapidly drops below €5 billion leaving a long 'tail' of companies generating €1 billion or less per year in own-brand revenue.

Fig. 5: 'Big 150' Brands active in Europe and US Markets
Estimated 'Own Brand' Garment Revenue FY 2019
Est. €460,000,000,000



What is 'Own-brand' product?

The complexity of garment industry business models mean that describing companies in terms of *wholesale* and *retail* is no longer accurate, particularly when we are considering human rights due diligence responsibilities. Because so many brands commission goods to be manufactured, and then sell a portion of them directly and a portion of them via 3rd party retailers, there is a more nuanced way to distinguish between commissioning product to be created versus simply selling someone else's product: Own brand vs. 3rd party retail.

We still find the rules developed by Fair Wear some years back for their **Brand Performance Check** system a useful foundation for determining what products a brand has primary human rights responsibility for. The distinction between 'own-brand production' and '3rd–party retail' products goes to the heart of determining who bears primary responsibility for human rights in wholesale/retail relationships.

Fair Wear's rules cover goods commissioned by a brand to be produced, whether directly or through an intermediary/agent. This includes:

- *Any product bearing the name or logo of a brand owned or managed by the brand.*
- *Any unbranded product designed for resale to another brand.*
- *Any so-called 'Private Label' items – typically those manufactured or provided by one company for offer under another company's brand.*
- *Products with the brand's logo/brand name sold through licensees.*
- *Products sold through design collaborations that include the brand's logo/brand name.*
- *Any product rebranded for or by an end consumer that is not a clothing brand (e.g., airline uniforms, printers of publicity t–shirts, such as for concerts, government uniforms, and so on).*
- *Unbranded, ready–made products bought from a 3rd party, when the brand's name (or customer's name) is added at the last stage.*

In short: responsibility extends to all products that companies sell with their brand logo/name, or that the company commissioned to be produced.

How reliable are garment revenue & own brand revenue estimates?

The answer is: it varies. Some companies publish clear breakdowns of revenue by product type, some publish vague breakdowns, some publish nothing. The colors indicate the level of confidence we have in figures 3-5:

PRETTY GOOD: Figures are either published, or the business model makes it clear that the company has no significant non–garment revenue.

ESTIMATE: No clear data; available information allows a rough indication of garment revenues, or else based on published estimates from media reports or industry analysts

GUESS: No reliable data available; an educated guess based on competitor brands, review of the product offering, or other sources.

5. Determining what the division of responsibility for human rights between brands and retailers *should* be remains a work in progress in the business & human rights arena, but major guidance on HRDD such as the OECD Guidelines note the distinction, "...the steps that a retailer takes to conduct due diligence on the brands that it sells, but does not own, will likely be different than the steps it takes to conduct due diligence on its own brands and products." Please see Working Paper 2 for more on this question.

ESTIMATING TOTAL MARKET SIZES

Another challenge in this analysis was determining the size of the global garment market, so we have something to compare the 'Big 150' revenue calculations to. Published estimates range from around €1.5 trillion (million million) to €3 trillion euros, but the calculations behind these estimates are opaque.

After looking at a range of estimates for the entire market, as well as geographical and product sub–markets, we have chosen to use €2 trillion (€2,000,000,000,000) as a best guess global retail sales estimate for 2019.

Figure 6 shows our estimates of how the €2 trillion global market is broken down by product type. As with the overall figure, there are numerous published estimates but the calculations behind them are not clear, and they vary significantly. While a more reliable model is needed, this estimate provides a useful sense of scale.

For both overall and product type calculations, we would still encourage the development of a transparent 'open source' methodology for estimating global garment sales to aid future governance development.

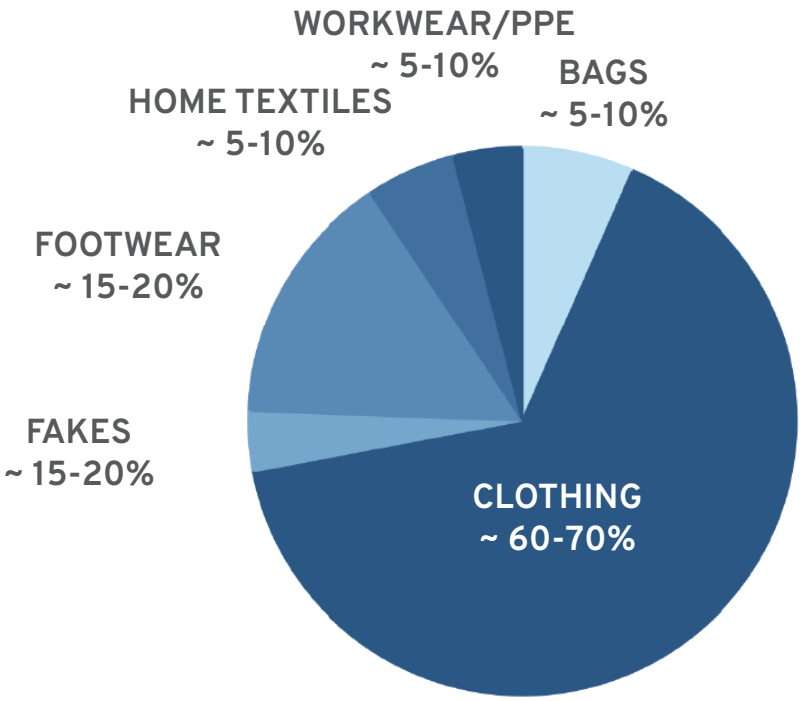
Estimating own-brand revenue totals

Steps 2 and 3 in our methodology separate out 'own brand' revenue from '3rd party' revenue (e.g. revenue from selling another brand's products). We have to repeat the same process here, so that we are comparing Big 150 own-brand revenue to the own-brand revenue generated by the entire industry.

Global own-brand revenue is not a standard metric, and given the lack of solid data, we have had to make an educated guess based on the findings of the Big 150 calculations. We estimate that something like 40% of global sales are 3rd party retail; the remaining 60% represent own-brand revenue – and the figure currently most important for human rights due diligence and other forms of governance. This is illustrated in Figure 7.

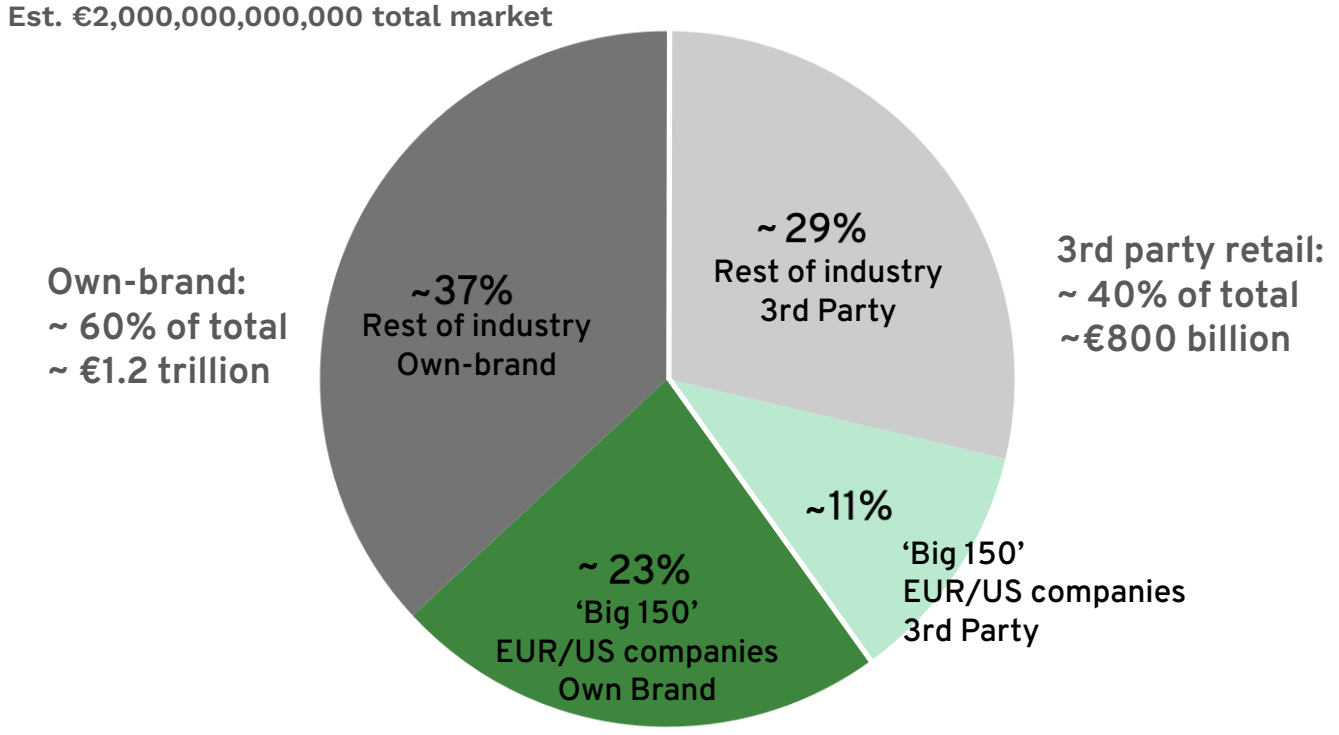
Our estimate therefore indicates that the world produces around €1.2 trillion in own-brand garment revenue, with the remaining €800 million in garment revenue coming from 3rd–party retail.

Fig. 6: Estimated market breakdown global apparel revenue by product type. Assumes €2,000,000,000,000 total market.



Sources:
Allied Market Research; Boston Consulting Group, Euromonitor, Fashion United, Fibre2Fashion.com, Fortune Business Insights, Grand View Research, McKinsey/ BoF, OECD, Samsonite Corporation, TexPro. VF Corporation.

Fig 7: Estimated breakdown of global garment revenue: Own brand vs. 3rd party retail



HOW CONCENTRATED IS THE GLOBAL GARMENT INDUSTRY WHEN IT COMES TO SUPPLY CHAIN LABOUR SHARE?

The short answer? Much, much less concentrated than smartphones or other similarly-structured industries.

Assuming €1.2 trillion in global own-brand revenue, we estimate that the 10 largest garment brands in our study account for around 17% of global own-brand revenue. Perhaps more striking than this is the fact that the next 140 brands only make up another 15–20% of the industry, with market share rapidly diminishing. This is illustrated more clearly on page 18.

Extrapolating from retail market share, then, we would estimate – with many caveats – that the 'Big 150' brands at best represent something like 30-40% of supply chain labour market share. Given the limits of the methodology, we warn against being too focused on exact percentages. **The key takeaway is that the largest garment brands do not dominate the industry the way the largest brands do in highly concentrated industries.**

We do not assert that e.g. the ten largest brands shown here *literally* have 17% of garment workers in their supply chains. The calculations contain too many assumptions to support such a specific claim. But even if our estimates prove to be significantly off, **we struggle to imagine a scenario where 150 companies – never mind 10 – would account for any where close to 89% of the industry, as in smartphones.**

Taken together with the complexity shared production creates this has major consequences for how the garment industry needs to be governed. We explore the implications more in Working Paper 2, but summarize them in Part II.

Fig. 8: Estimated Global 'Own Brand' Garment Revenue FY 2019
Est. €1,200,000,000,000

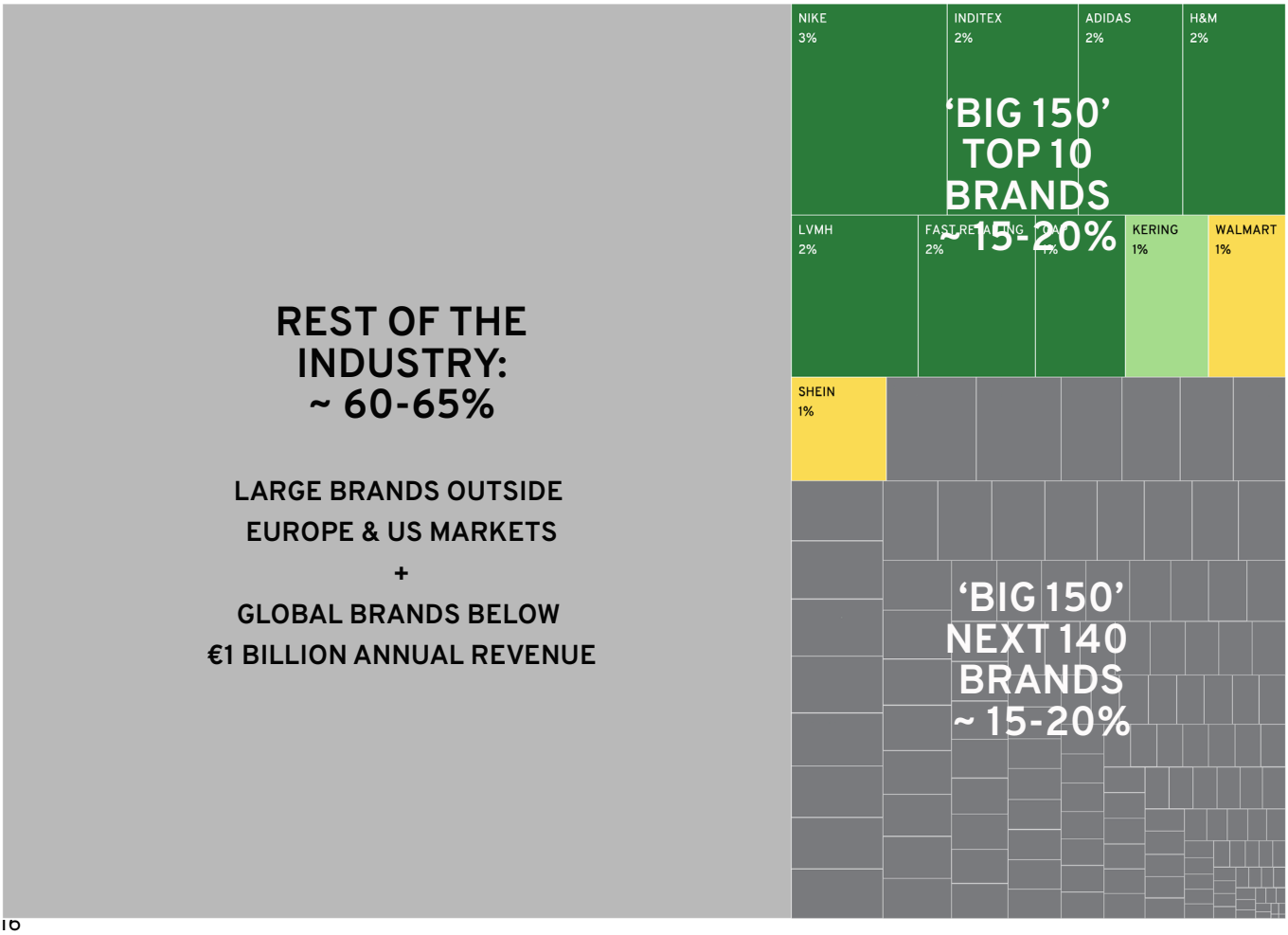
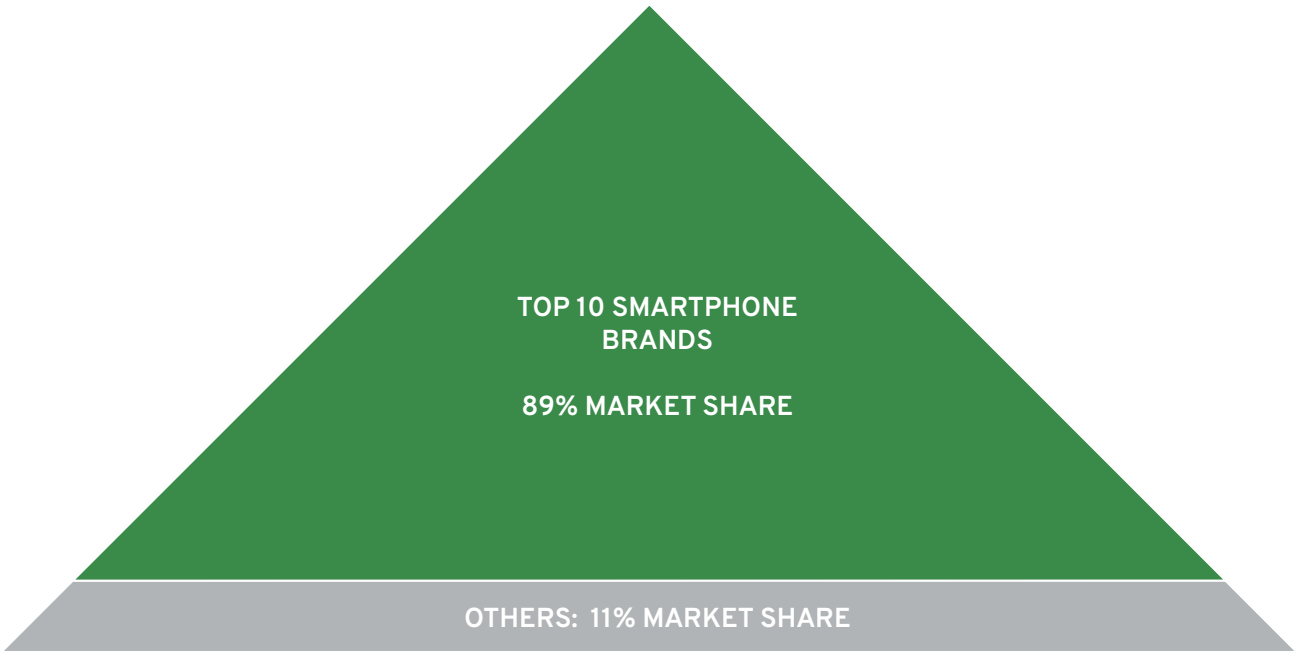
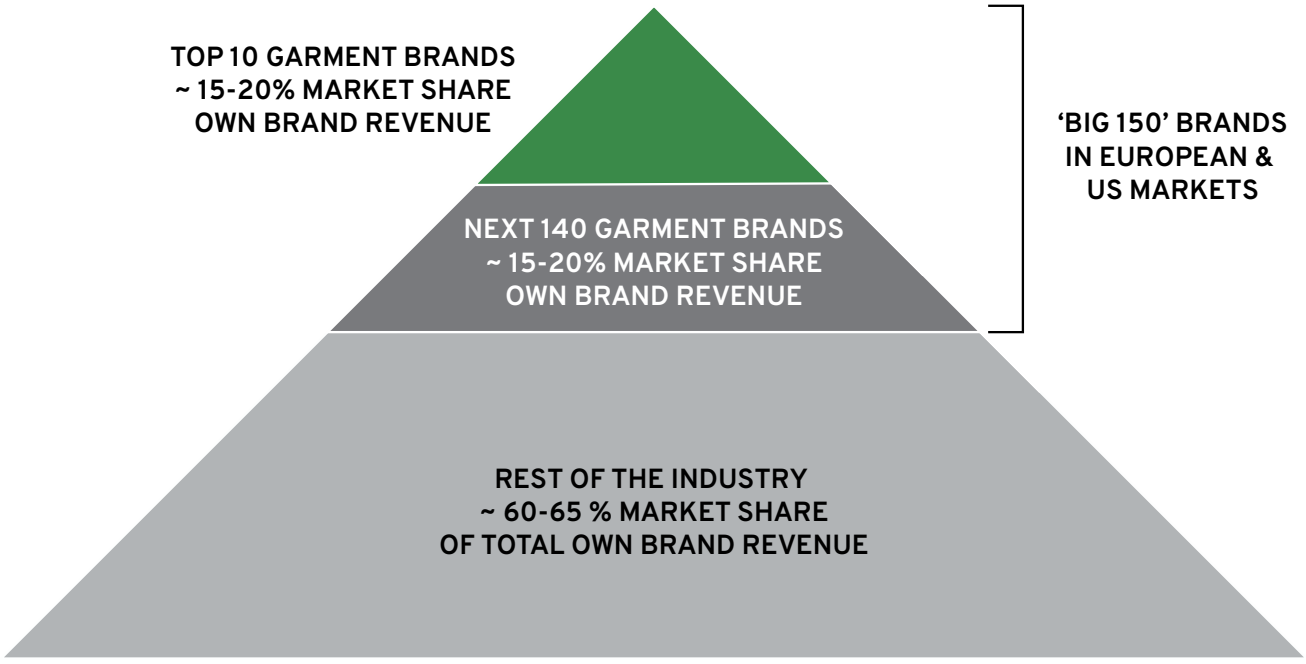


Fig 9: Comparison of global retail concentration in smartphones & garments





What's beyond the Big 150?

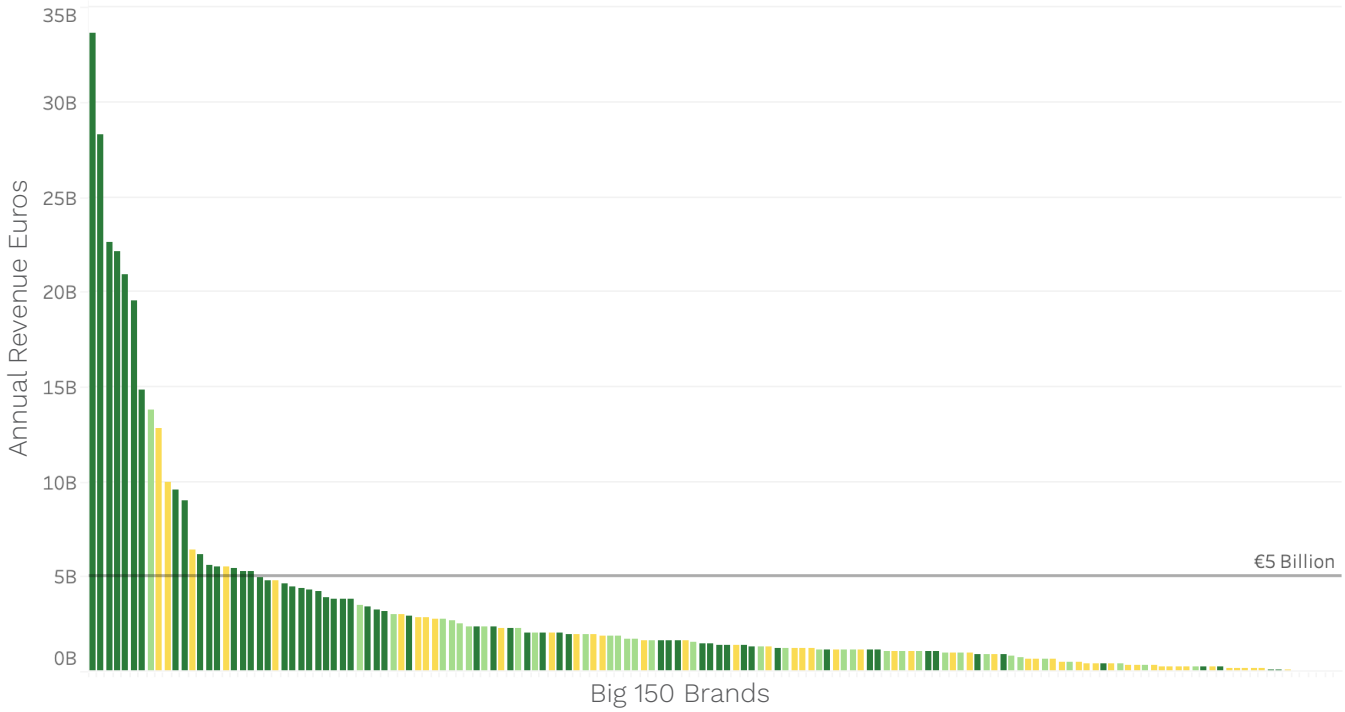
Our initial research shows there are additional brands in other parts of the world in the multi-billion-euro range – perhaps a few dozen, perhaps more, depending on how many large, privately–held companies are operating under the radar. Home textiles and uniform rentals are also underrepresented in this and other research, and we likely have missed a few other large brands from other markets. But overall, we do not expect the outcomes presented here to change dramatically.

We already know of hundreds of brands in the €100 million to €1 billion range in Europe and the US, and certainly there are more in other parts of the world. And beyond that we estimate thousands of smaller brands, down into the SME zone below €40 million in revenue.

Future research aims to clarify these questions about the structure of the rest of the market and the long tail of smaller brands.

The graphic below illustrates the 'long tail' just within the Big 150 brands; the full industry would feature thousands of additional brands, and the chart would span across many pages.

Fig 10: 'Big 150' Brands active in Europe and US Markets
Estimated 'Own Brand' Garment Revenue FY 2019
Long Tail Illustration



PART II:

POLICY IMPLICATIONS AND NEXT STEPS

We discuss the policy implications of these findings in greater detail in Working Paper 2, but summarize three of the takeaways here:

1. We should not assume that focusing regulations only on a few large brands will improve conditions for a large part of the garment workforce. The numbers simply do not support such a strategy. This in no way excuses inaction on the part of large brands, or means they should not be held accountable for their supply chains. Change at the largest brands is necessary, but not sufficient to achieve widespread improvements.

2. Smaller brands should not be excused from human rights governance requirements just because of their size. One of the implications of this research is that smaller brands collectively represent a significant amount of the garment industry. Excusing small brands runs the risk of leaving a large number of garment workers unprotected by new forms of supply chain governance. We would argue the appropriate way to deal with the limited capacity of small companies is to find ways for them to fulfil obligations collectively, not to leave them our of regulations.

3. Governance solutions must take shared supplier base effects into account. Whatever method is used to measure the labour market share of a given brand or group of brands, the shared supplier problem still needs to be addressed. Figuring out how many workers will be covered under a given regulation is only the first step. If most of the products made in those facilities are commissioned by brands that are not covered by the regulation in question, its impact is likely to be very limited; this complexity needs to be accounted for any governance design for the garment industry.

NEXT STEPS

There is a clear need to better document the structure of the garment industry, including large brands from the rest of the world, and the long tail of smaller brands. Equally important is further exploration of the policy implications of the garment industry's structure.

We look forward to teaming with policy-makers and other governance designers among trade unions, NGOs, investors and multi-stakeholder initiatives, as well as experts from a range of related fields, in our collective effort to develop fit-for-purpose governance solutions for the garment industry.

APPENDIX I: 'THE BIG 150' BRANDS

ABERCROMBIE & FITCH CO
ACADEMY SPORTS & OUTDOORS
ACTION HOLDING B.V.
ACUSHNET HOLDINGS CORP.
ADIDAS AG
AHOLD DELHAIZE
ALDI
ALDO GROUP INC
AMAZON.COM, INC
AMER SPORTS OY
AMERICAN EAGLE OUTFITTERS
ANSELL LIMITED
ANTA SPORTS PRODUCTS LIMITED
ARAMARK
ASCENA RETAIL GROUP, INC
ASICS CORPORATION
ASOS PLC
AUCHAN HYPERMARCHE
B&M EUROPEAN VALUE RETAIL SA
BEALLS INC
BESTSELLER A/S
BOOHOO GROUP PLC
BOSCOVS INC
BURBERRY GROUP PLC
BURLINGTON STORES, INC
C & A MODE GMBH & CO. KG
C&J CLARK LIMITED
CALERES INC
CALLAWAY GOLF CO
CALZEDONIA S.P.A.
CARREFOUR
CARTER'S, INC
CASINO GUICHARD–PERRACHON
CCC S.A.
CHICOS FAS INC
CHILDREN'S PLACE, INC
COLUMBIA SPORTSWEAR CO
COMPAGNIE FINANCIERE RICHEMONT
COMPASS DIVERSIFIED HOLDINGS
COSTCO WHOLESALE CORP
DECATHLON
DECKERS OUTDOOR CORP
DEICHMANN SE
DELTA GALIL INDUSTRIES LTD.
DESIGNER BRANDS INC
DICK'S SPORTING GOODS, INC
DILLARD'S INC
DOLLAR GENERAL CORP
DUNHAMS ATHLEISURE CORP
ECCO SKO A/S
EDDIE BAUER LLC
EL CORTE INGLES SA
ERMENEGILDO ZEGNA GROUP
ESPRIT HOLDINGS LIMITED
EUROSTAR INC
EXPRESS, INC
FAST RETAILING CO LTD
FOOT LOCKER INC
FRUIT OF THE LOOM INC
G III APPAREL GROUP LTD
GALERIA KARSTADT KAUFHOF
GAP INC
GENESCO INC
GILDAN ACTIVEWEAR INC
GLOBAL FASHION GROUP S.A
GREAT OUTDOORS GROUP LLC
GUESS INC
HANESBRANDS INC
HARLEY DAVIDSON INC
HARRODS LIMITED
HEMA B.V.
HENNES & MAURITZ AB
HERMES INTERNATIONAL
HUGO BOSS AG
INDUSTRIA DE DISENO TEXTIL S.A. (INDITEX)
JERONIMO MARTINS SGPS S.A.
JOHN LEWIS PARTNERSHIP PLC
KERING
KIABI EUROPE
KOHLS CORPORATION
KONTOOR BRANDS, INC
L BRANDS, INC
LANDS' END, INC
LE TOTE INC
LEVI STRAUSS & CO
LIDL STIFTUNG & CO. KG
LL BEAN INC
LPP
LULULEMON ATHLETICA INC
LVMH MOET HENNESSY LOUIS VUITTON
MACY'S INC
MADDEN STEVEN LTD
MANGO MNG HOLDING SAU
MARKS AND SPENCER GROUP PLC
MATALAN RETAIL LTD.
MIZUNO CORPORATION
MONCLER S.P.A.
MORRISON (WM) SUPERMARKET PLC
NEW BALANCE ATHLETICS INC
NEW LOOK RETAILERS LIMITED
NEXT PLC
NIKE INC
NORDSTROM INC
OLD COPPER COMPANY, INC
OTTO AKTIENGESELLSCHAFT FUER BETEILIGUNGEN
OVS S.P.A.
OXFORD INDUSTRIES INC
PAYLESS HOLDINGS
PENTLAND GROUP LIMITED
PRADA S.P.A.
PRIMARK STORES LIMITED
PUMA SE
PVH CORPORATION
RALPH LAUREN CORPORATION
RECREATIONAL EQUIPMENT INC (REI)
RIVER ISLAND HOLDINGS LIMITED
ROSS STORES INC
RYOHIN KEIKAKU CO LTD (MUJI)
S.OLIVER BERND FREIER GMBH & CO
SAINSBURY (J) PLC
SALLING GROUP A/S
SALVATORE FERRAGAMO SPA
SELFRIDGES RETAIL LIMITED
SHEIN
SKECHERS USA INC
SMCP
SONAE SGPS S.A.
SUPERDRY PLC
TAILORED BRANDS, INC
TAPESTRY INC
TARGET CORP
TCHIBO GMBH
TENDAM RETAIL SA
TESCO PLC
THE FOSCHINI GROUP LIMITED
THE VERY GROUP LIMITED
TJX COMPANIES INC
UNDER ARMOUR, INC
UNIFIRST CORP
URBAN OUTFITTERS INC
V. F. CORPORATION
VALENTINO S.P.A.
VARNER HOLDING AS
VARSITY BRANDS HOLDING CO., INC
WACOAL HOLDINGS CORPORATION
WALMART INC
WALT DISNEY COMPANY
WL GORE & ASSOCIATES INC
WOLVERINE WORLD WIDE INC
ZALANDO SE

REFERENCES

Allied Market Research. (2020) Footwear Market by Type: Global Opportunity Analysis and Industry Forecast, 2020–2027.

Boston Consulting Group. (2020) Financing the Transformation in Fashion.

Bureau van Dijk/Moodys Analytics. Orbis Database.

Deloitte Touche Tohmatsu Limited. (2021) Global Powers of Retailing 2021.

Drahos, P. Editor. (2017) Regulatory Theory: Foundations and Applications. Acton, Australia: ANU Press.

Euromonitor (via shenglufashion.com) (2021) Retail Value Sales Estimate.

Fair Wear. (2018) Brand Performance Check Guide. Amsterdam: Fair Wear Foundation

Fashion United. (Undated) Global fashion industry statistics – International apparel.

Fashion Law, The. (2019) The Counterfeit Report: The Big Business of Fakes.

Fibre2Fashion. (2020) Global Apparel Market Outlook - An Overview

Fibre2Fashion/TexPro. (2019) Global Home Textiles Market Outlook – Trends & Forecast till 2025

Frederick, S. (2019). Global value chain mapping. In: Handbook on Global Value Chains. Ponte, S. Ed. Edward Elgar Publishing

German Federal Ministry for Economic Cooperation and Development (BMZ). (2021) Supply chain law FAQs.

Grandview Market Research. (2019) Home Textiles Market Size, Share & Trends Analysis Report By Product (Carpets & Floor Covering, Bathroom Linen, Bedroom Linen), By Region, By Distribution Channel (Retail Outlet, Online), And Segment Forecasts, 2019 – 2025 (Summary)

Grandview Market Research. (2019) Footwear Market Size, Share & Trends Analysis Report By Type (Summary).

Hohenegger, K. & Miller, D., (2016) Labour Minute Costing: A Tool for Establishing Living Wage Floors in Garment Factories Amsterdam: Fair Wear Foundation.

Hohenegger, K., Miller, D., & Curley, M. (2018) Productivity: The Key to Funding Living Wages? Possibilities, Limitations and Alternatives Along the Apparel Value Chain: A discussion paper. Amsterdam: Fair Wear Foundation.

Kaplinsky, R. & Morris, M. (2000) A Handbook For Value Chain Research. IDRC

Lally, A., Curley, M., & Koers, S., (2016) Living Wages: An Explorer's Notebook. Piloting Living Wages in Garment Factories Amsterdam: Fair Wear Foundation.

Lu, Sheng. (2018) Market Size of the Global Textile and Apparel Industry: 2016 to 2021/2022

Marketline. (2020) Global Apparel Retail (Overview).

McKinsey & Company/Business of Fashion (2019) The State of Fashion 2019.

OECD/EUIPO (2019) Trends in Trade in Counterfeit and Pirated Goods, Illicit Trade, OECD

OECD (2018) Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, OECD Publishing, Paris.

OMDIA (2021) Global smartphone market grows 28.1% YoY in Q1 2021.

Reinecke, J. and Donaghey, J., (2017) Collective action and social partnership in global supply chains: Lessons from the Bangladesh accord. *Annual Review of Social Partnerships*, 12, pp.32-37.

Samsonite Corporation. (2020) Interim Report 2020.

United Nations. (2011) Guiding Principles on Business and Human Rights. New York: UN Office of the High Commissioner on Human Rights.

We would like to acknowledge the help of Statista.com in pointing us towards several useful data sources cited here.

ACKNOWLEDGEMENTS

Lead Author:

Martin Curley, Katalyst Initiative

Contributing Author:

Anne Lally, Katalyst Initiative

All opinions expressed in this document are solely those of Katalyst Initiative and the authors.

We would like to thank all of our colleagues at various organisations who have helped with the development of this series of papers.

Supported in part by ASN Bank.

Supported in part by Fair Wear through the Strategic Partnership for Garment Supply Chain Transformation, supported by the Dutch Ministry of Foreign Affairs.

Special thank you to Orbis/Bureau van Dijk.

Martin Curley would like to thank the 2020 Policy Leader Fellowship programme at the School of Transnational Governance, European University Institute. The work which ultimately led to this paper and the Building Blocks series owes much to the Fellowship's support.

About Katalyst Initiative

Katalyst Initiative was founded by veterans of the business & human rights civil society network. The aim is to help civil society – trade unions, NGOs, academics and activists - and government policymakers to develop new forms of human rights governance in supply chains, using the garment industry as a model. Katalyst also sees close links between the root causes of human rights violations and environmental and climate risks, and aims to support closer ties between the human rights and environmental communities.

Please feel free to contact us at:

buildingblocks@katalystinitiative.org

www.katalystinitiative.org

WWW.KATALYSTINITIATIVE.ORG