As one of the most affected sectors in the COVID-19 pandemic, can fashion retailers and manufactures adapt for the better?

The Great Shutdown has disproportionately affected the apparel sector. McKinsey estimates that revenues for the global fashion industry will contract by 27% to 30% in 2020 year-on-year.¹

End-consumer retail sales are heavily disrupted as most shops are currently closed in many important consumer markets. In France, consumer apparel expenditures decreased by 90%

in March\textsuperscript{2}, with clothing sales expected to remain low in the months to come since consumers with full wardrobes regard clothing as non-essential. Online purchases can only partially compensate, if at all. Germany’s e-commerce and mail-order business turnover dropped by more than 30% in March compared to the same months in 2019.\textsuperscript{3} McKinsey reported that online sales have declined 5% to 20% across Europe and 30% to 40% in the United States. Some important apparel retailers such as Primark do not even have an online business.

**A demand shock**

Brands and retailers are passing this demand shock on to their suppliers, who often work in developing countries. Many brands and retailers are cancelling orders for the spring/summer season 2020, including orders already in production, for which fabric was prepaid and cut. Moreover, numerous brands and retailers often extend payment terms unilaterally, paying factories much later.\textsuperscript{4}

The Bangladesh Garment Manufacturers Exporters Association states that by 26 April 1,149 companies reported suspended or cancelled export orders of 981 million pieces of garment, amounting to a value of $3.17 billion at manufacturing level, thereby affecting 2.27 million workers – the majority of them being women.\textsuperscript{5} In India, current estimates of the total export business affected amount to $3 billion.\textsuperscript{6}

**A supply shock**

In addition to this loss in demand, factories are experiencing a supply shock. Most least developed countries as well as most producers in the Middle East and Central America need to import fabrics and accessories for their export-oriented clothing sector. The majority of fabrics come from Asia, with some exceptions coming from Europe and the United States. The International Textile Manufacturers Federation reported that textile sales were down 31% on average across various regions.

ITC estimates that textile mill closures in Asia will reduce the imports of vital fabrics for the export-oriented apparel industry in sub-Saharan Africa by approximately $13 million.\textsuperscript{7}

\textsuperscript{2} https://www.bfmtv.com/economie/coronavirus-la-consommation-des-menages-francais-chute-aussi-de-35percent-1882439.html
\textsuperscript{5} http://bgmea.com.bd/
\textsuperscript{7} ITC calculations. Special thanks to Aissata Boubacar Moumouni, Consultant Economist, Research and Strategies for Export
Subject to confinement

As factories are crowded places, most countries have asked companies to close temporarily or, in case they still have to finish orders, to re-arrange production lines to respect the required distance between workers.

Consequently, many clothing manufacturers had to close down – for example, 80%-90% of all factories in Madagascar, Morocco or Tunisia.

Each crisis spurs structural changes and opportunities

Most countries worldwide outsource the production of medical textiles and protective gear. As the immediate need to have supply capacities starts at home, countries such as Morocco and Tunisia have started to produce masks, medical gowns and other protective wear. This strategic capacity will most likely not disappear in the future.

The value chain landscape in the textile and clothing sector is likely to change after the crisis. Structural changes are likely to accelerate, leading to further consolidation (fewer and larger brands/retailers with the financial muscles to survive the crisis). Larger buyers will deal with larger factories, therefore putting an additional constraint on micro and small businesses. To respond to this accelerating trend, small businesses need to move out of commodity-type production and specialize in high-value added products, small production runs or fast delivery.

Market diversification becomes even more important. Many companies and sectors sell only to a few markets, in many cases to a single customer. These customers are usually located in Europe and the United States, both heavily affected by the lockdowns. Companies should therefore mirror what brands and retailers have already started doing. While brands and retailers are broadening their supply base, clothing manufacturers will need to supply multiple clients and markets, while exploring non-traditional markets. For instance, countries in the Middle East and North Africa could explore markets in sub-Saharan Africa. For least developed countries in Asia, the Chinese, Indian, Korean and Japanese markets could become interesting.
Nearshoring has already been a trend in the apparel sector that is likely to accelerate post COVID-19. Countries in North Africa and Eastern Europe should benefit from their proximity to the European Union, while Central American countries could benefit from their closeness to the United States to export more garments to these markets. Moving towards nearshoring requires enterprises to change operations, thereby accelerating the digital product development process to reduce costs and respond to markets rapidly. This would entail moving towards smaller production quantities and developing closer links with upstream textile and trim suppliers in the same county or region.

**Corporate social responsibility might also need to be adapted.** Important differences in the ethical buying behavior are becoming very apparent in the way brands and retailers are either simply dropping their suppliers or trying to confront this crisis in a more collaborative manner."^{8}

While brands and retailers should continue ensuring decent working conditions as well as responsible, environmental behaviour, they also need to respect the partnerships with factories they often emphasize.

It is indeed time to rethink the way brands and retailers share the value along their supply chain. That starts with changing the belief of sourcing executives and buyers purchasing clothing in developing countries as well as of many manufacturers that the only way to remain competitive is to continually reduce free-on-board costs.\(^9\) Brands and retailers need to work together with their suppliers to offer products that consumers are willing to pay at non-discounted prices. Brands and retailers then need to share the retained value more equally with their suppliers.

The present crisis will especially hit clothing manufacturers and their workers in developing countries along the value chain. However, each crisis offers opportunities if handled well: companies need to address the shortcomings that were already visible before the crisis. Brands and retailers need to embrace their suppliers as partners beyond the corporate social responsibility rhetoric. Together they can deliver the products consumers really desire and value while sharing the profit more equally.

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9 FOB here refers to the responsibility of the manufacture for sources of fabrics and accessories, production, and transportation of fabrics and accessories and finished goods to the port specified by the buyer.
A medical doctor in Tunisia is using her creative skills to serve communities at a time when they need her the most.

Aida Kerkeni is a medical doctor by profession. Helping others stay healthy and safe is her job. However, she is helping her community grapple with COVID-19 in more ways than one.

“I saw that the shortage of personal protective equipment during the COVID-19 pandemic had put everyone, including healthcare workers, at risk. That is when the idea to produce facemasks occurred to me,” explains Aida.

She had already created the Aida brand - an outlet to showcase her talent for designing. When the coronavirus struck, Aida took action to express solidarity with her community. She joined ‘Masque Solidaire’.

A group of six young Tunisian designers are producing facemasks for those who still have to leave home for work. These designers are producing masks for police personnel and those who are making home deliveries and working in supermarkets at a time when everyone has taken refuge at home.

As a mother in quarantine at home, Aida manages a packed schedule. She takes care of her family, produces facemasks and coordinates with associations supporting families affected by confinement.

“I produce around 10 facemasks every day. We are successfully distributing facemasks to medical centres. The project’s team is helping us identify those in need of our products,” said Aida.

Respecting the lockdown, the young designers are working from home. They are producing
washable and reusable fabric facemasks made of 100% cotton lined with an impermeable layer. After each use, the masks can be washed and hot ironed to kill bacteria and viruses.

The first batch of 100 face masks was delivered to a health care centre in Menzel Bourguiba, in the Tunisian countryside.

Aida feels there is an opportunity for the textile and clothing sector to support people as they try to resume activities. “The responsibility to fight the pandemic is a collective one, and although medical staff are in the front line of this battle against COVID-19, we all have to play our part.” Aida concluded.

She is willing to return to her hospital job but wants to continue providing facemasks to those who need them the most. “By protecting healthcare workers, we can protect the entire population,” she believes.

The group of young designers will continue to produce these facemasks and are inviting other entrepreneurs to join the solidarity initiative.

The International Trade Centre’s Global Textiles and Clothing Programme (GTEX) and its related work in the Middle East and North Africa (MENATEX), provided support to this act of solidarity in Tunisia. The masks are produced in line with specifications and safety instructions from the Tunisian University Hospital and follow the recommendations from the Association Française de Normalisation (AFNOR) certification group.

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**Kyrgyzstan**

Saparbek Asanov is the President of the Association of Light Industry Enterprises of Kyrgyzstan, "Legprom".
According to him, textile and clothing companies in Kyrgyzstan have suffered a severe blow from the coronavirus. Out of 1000 factories in the capital Bishkek, only around 17 have managed to continue operations.

These factories have shifted their production towards meeting new consumer demands. One such factory is Aktis, a women’s garment manufacturing company, located in the suburban area of Bishkek.

During a critical shortage of masks and other protective equipment, Aktis recently completed an order of 2,500 facemasks and 350 personal protective garments for the civil volunteer movement, Narodnyi Shtab, which helps front-line workers fighting the coronavirus.

An additional 504 sets are to be produced in the coming weeks. The companies are not only determined to deliver top quality products but also to ensure the safety of their employees. All employees have received new uniforms including protective gloves and masks. Workshops are regularly disinfected.

A sense of duty towards those in need rather than economic interest drives these workers to leave their homes during this difficult time.

As part of the recovery plan, the Legprom Association, in close contact with garment manufacturers, is devising a post-COVID-19 strategy to support the textile and clothing sector in Kyrgyzstan.

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As a popular Tajik proverb says, when one door closes another opens - the pandemic opened up new opportunities for textile and clothing companies in the country. Products such as protective facemasks, medical uniforms, bed linen, hospital clothes, cotton bandage, and other medical and sanitary products are in great demand today.
Resandai Qurghontepp, one of the International Trade Centre's (ITC) partners, produced and donated 100,000 facemasks to medical facilities in Bokhtar, the third-most populated city in the country. This example encouraged other ITC partners to engage and help. As a result, two companies, Mehrovar and Guldaston, also produced masks and donated to schools and hospitals in their region.

COVID-19 response initiatives have provided an opportunity for ITC partner companies to use the knowledge and information they gained at a training on corporate social responsibility last year.

More than 10 textile and clothing companies working with ITC have now shifted to the production of protective facemasks and other sanitary products.

The GTEX MENATEX programme is funded by the State Secretariat for Economic Affairs (SECO) of the Swiss Confederation and the Swedish International Development Cooperation Agency (Sida), focusing on six priority countries (Egypt, Morocco, Jordan, Kyrgyzstan, Tajikistan and Tunisia). The programme aims to encourage exports of textiles and clothing from developing countries to promote employment and income generation throughout the value chain.