

# Fashion Transformer - Global Sourcing Hub Panel

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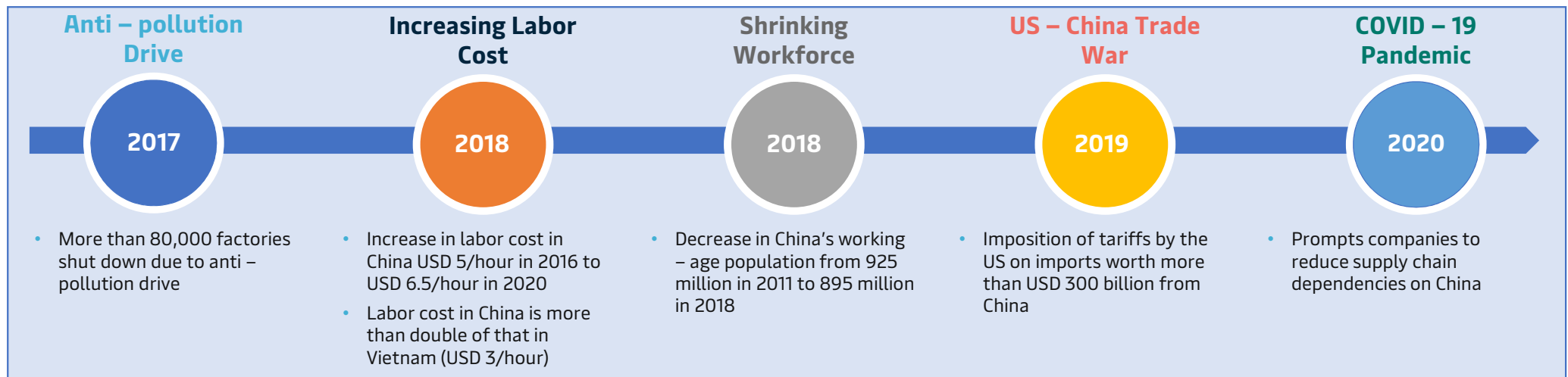


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# Global Sourcing is Diversifying Beyond China

- China has served as the production hub over the past two decades for companies in multiple industries globally; However, issues such as trade war with the US, increasing cost of labor, shortage of manpower and the COVID-19 pandemic have made it difficult for the country to retain its position
- Manufacturing companies worldwide have been re-thinking their supply chain dependencies on China and countries are supporting their respective companies in the bid to move out from China
- In 2019, more than 50 multinational companies decided to **relocate their manufacturing operations (partially or fully) to Southeast Asia and Mexico from China**
- Examples - **South Korean companies are switching from China to India; USD 2.2 billion economic stimulus has been announced by the Japanese government to help manufacturers shift production from China; US encouraging companies to relocate back from China; European Union members are planning to reduce dependencies on Chinese suppliers**



Source: Economic Times

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## Apparel

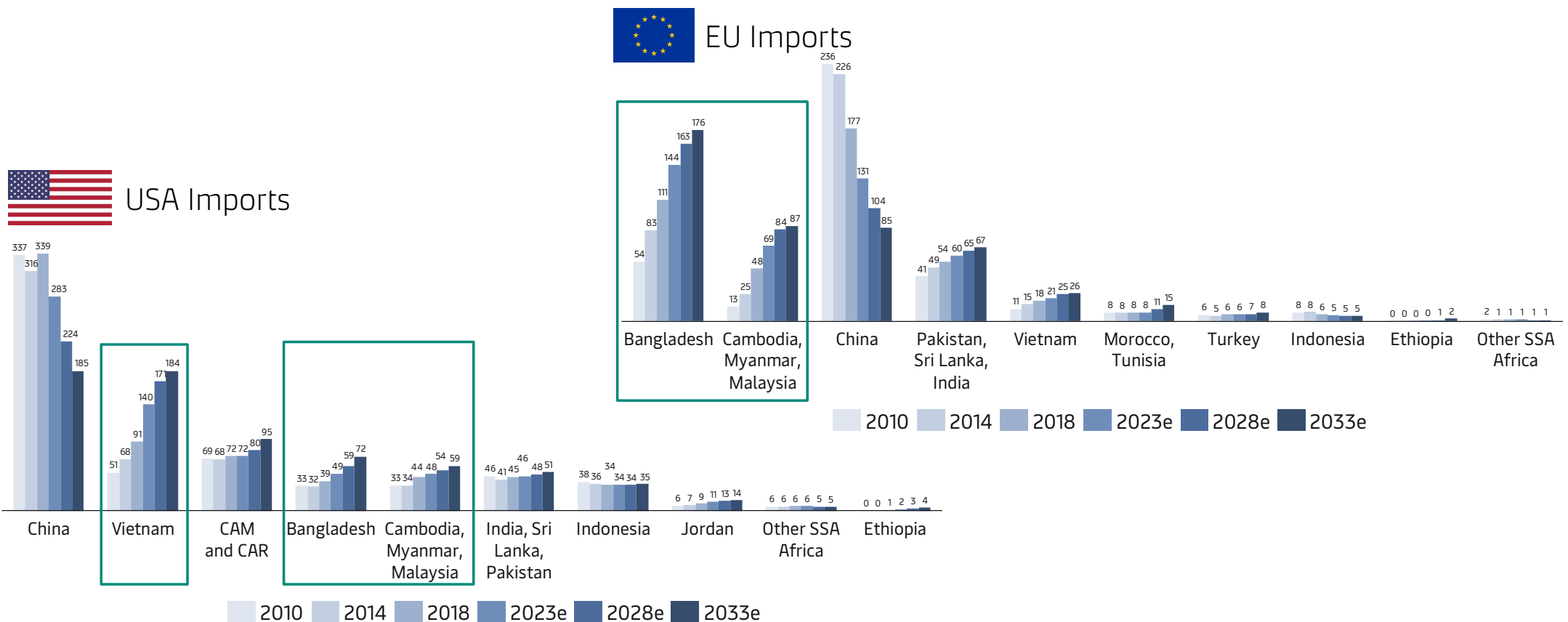
- **China** is expected to continue reducing its share in global production in coming years
- **Bangladesh, Vietnam and Cambodia** are positioned to continue replacing production from China
- **Turkey and Morocco** are expected to continue their trend of mild growth to serve as near-sourcing locations into Europe
- **Ethiopia** is expected to rapidly scale up in upcoming years, but still remain a relatively small player in terms of its total share of the global production market
- **Latin America** production scale remains a question-mark despite its favorable geo-location for the US market

## Footwear

- **Vietnam and Cambodia** are expected continue replacing production from China
- **Indonesia and India** remain relevant production locations but show relatively flat in past few years

# Vietnam and Bangladesh show the highest growth in production

*US & EU imports of finished apparel (projection)*

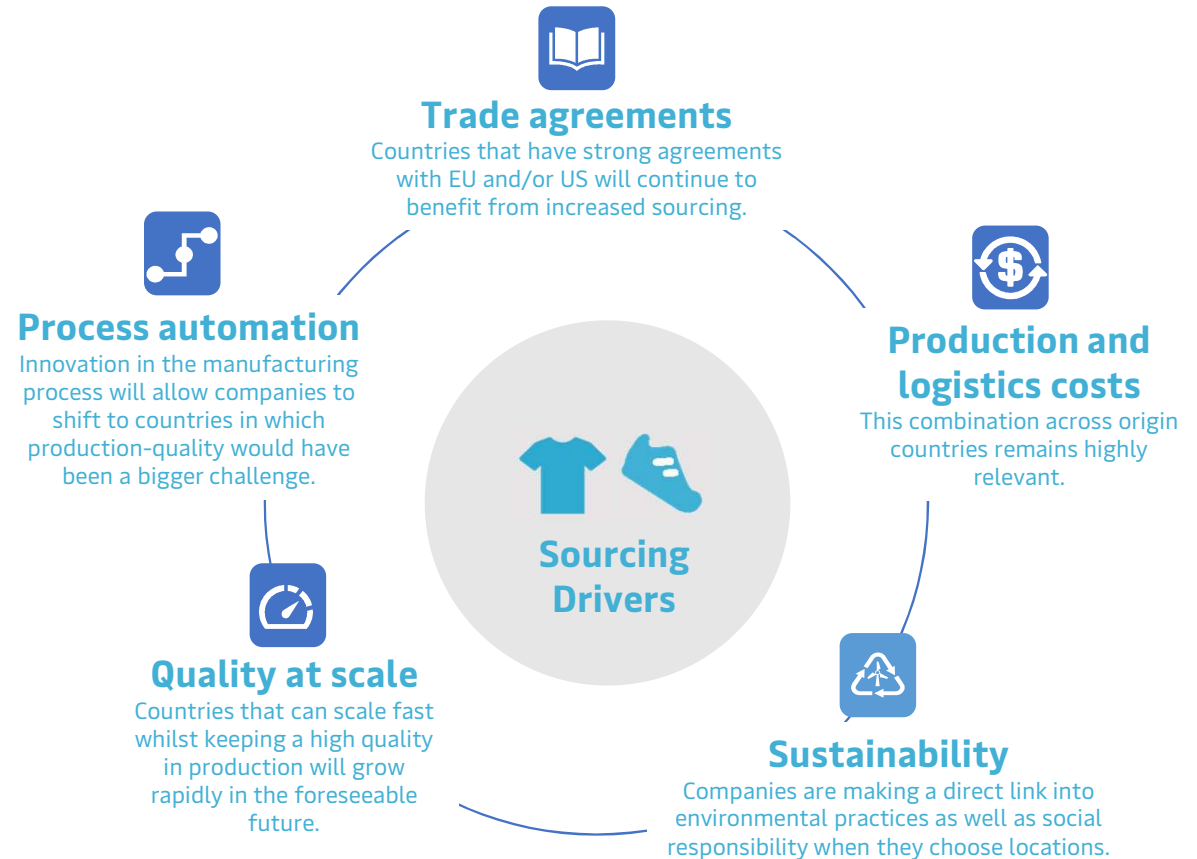


Import volume of apparel from origin countries into the EU and US, '000 FFEs.

Source 2010-2018 historical; Seabury database / 2023-2033 projections; Maersk and Duke Global Value Chains project

## What is Driving the Change?

# Key drivers of the sourcing shifts across Apparel and Footwear





# The Sourcing Shift is not without its Challenges

Feedback from large Footwear & Apparel brands on the challenges of sourcing from new locations includes:

- *Lack of local factory management experience*
- *Low productivity of new sources*
- *Extra costs due to Quality Control failures*
- *Lack of advanced technical skills*
- *'Need extra supply chain management support'*



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