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Globalization and Its Impact on the Fashion Industry

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Abstract: This report delves into the multifaceted impact of globalization on the fashion industry, focusing on its supply chain dynamics and strategic implications. Globalization, a prominent phenomenon since the 1980s, is characterized by the cross-border flow of goods, capital, and various socio-economic elements, shaping a complex and interconnected world. Within this context, the fashion industry undergoes significant transformations driven by the globalization process. The fashion industry, in particular, experiences both favorable and adverse effects of globalization. The report explores these impacts, emphasizing the growing accessibility of fashion trends due to advancements in social media, advertising, and other communication channels. This enhanced accessibility fosters the creation of individual preferences and unique styles, blending global and personal aesthetics. However, globalization also brings challenges like economic disparities and cultural homogenization within the fashion industry. Finally, the report highlights the intricate relationship between globalization and the fashion industry, emphasizing the need for understanding the complex commodity chain and the impact of corporate power on this dynamic sector.

Keywords: Globalization; Supply chain; Commodity chain

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1. Introduction

This report will try to illustrate, through the use of the fashion industry, an understanding of the impact of globalization and corporate power on economic change. This impact will be discussed through three key issues: 1. the increasingly complex, globalized, and industrialized commodity chain; 2. the increasing control of powerful corporate players; and 3. implications to the fashion industry.

2. Literature review

2.1. The definition of "globalization"

Globalization is a phenomenon of increasing prominence, especially since the 1980s, and it forms a basic characteristic of the current era. The definition of globalization is not unified, generally speaking, but from the materialistic form perspective; globalization is the cross-border flow of goods and capital [1]. This development consists of several stages, from transnational to local internationalization and globalization. The cross-border flow of goods and capital constitutes the original form of globalization. Throughout this process, the corresponding regional and international economic management organizations and economic entities, as well as the culture, lifestyle, values, and ideologies, spiritual power of transnational communication, collide, conflict, and fuse. Taking the fashion industry as an example, globalization is the economic and social process whereby local markets and cultures are increasingly dominated by the global market and cultures [2].

Overall, globalization—taking economic globalization as its core—assimilates various countries and ethnic regions as well as elements of politics, culture, science and technology, military, security, ideologies, lifestyles, and values, within a multi-level and multi-field related process influencing and restricting them from a pluralistic concept. “Globalization” can be summarized into ten aspects: science and technology, economy, politics, law, management, organization, culture, concept, interpersonal, and international relations.

2.2. Possible impacts of “globalization”

The possible impact brought about by the globalization includes: Global growth; a number of common criteria, such as copyright law; the growth of international trade being faster than the world’s economic growth; greater control by multinational corporations with regard to shares within the world’s economic growth; the development of the global financial system and terrorism within globalization, and the involvement of terrorist attacks and terrorism organizations many times not in their own actions, and has nothing to do with their own. Many of these are supported by various organizations that are positive about globalization and, in many cases, by the government and other people actively promoting globalization. The reason behind this is an economic theory, which states that this kind of comparative advantage with free trade can make resource allocation more efficient for both sides involved in the trade [3].

After the Second World War, many international organizations, such as the General Agreement on Tariffs and Trade (GATT), greatly reduced established international trading barriers between nations. The greatest difference came with the World Trade Organization (WTO), which also evolved from the GATT. The main aims of this organization were divided into two parts: Firstly, it should promote free trade. In accomplishing this task, it required improvements within three different aspects: with regard to commodities, every country should have fewer tariffs or eliminate tariffs altogether, and should also try to establish a free trade zone to reduce tariffs [4]. In terms of capital, governments should reduce or eliminate capital controls, as capital controls affect the development of trade [5]. Finally, local governments should reduce and eliminate subsidies for local industry to achieve fairer market circumstances.

When the impacts of globalization are applied to the fashion industry, it might be seen to affect the industry slightly differently from that of other industries, as fashion is increasingly becoming a more dominant force. Additionally, globalization has a significant effect on an individual’s choice of clothing and personal style, whether it is work-related or casual [6]. Like the impacts mentioned above, globalization can also have favorable impacts and adverse impacts on this particular industry. The favorable impacts of globalization upon the fashion industry could be shown in the growing accessibility of the latest fashion trends and the creation of individual preferences. Indeed, higher accessibility makes the trend more readily available, thanks to the outburst of numerous and massive social networks and blogs, and various ways of advertising, such as magazines, music videos, films, the internet, and television, among others. The creation of individual preference could also be regarded as the combination of personal, more unique styles and global styles.

2.3. The definition of "commodity" and "commodity chain"

This report will examine the increasing complexity of supply chains within the clothing industry, though key terms like "commodity" and "global commodity chain" have to be defined first. Within Marxist political economics, a "commodity" is defined as a "product could be exchanged" [7]. However, along with the development of the economy, many natural resources and non-labor products also entered the exchange arena. Thus, modern economists, building on the basis of the original definition of "product" and extension, have devised a more generalized definition of commodity, which is used to exchange the use value of "goods" [8]. Global commodity chains were first put forward by Duke University. While researching commodity chains, he provided a systematic analysis, explaining global consumption, the production of the world economy trade, and the industrial upgrading of industrial geographic research. Additionally, he assessed the Global Value Chain (GVC) to see how products within the process improved the status of competition within the global production and marketing system, using "driven by producer" (producer-driven) or "driven by the buyer" (buyer-driven) models to explore industry within the structure of the state, and assisting developing nations in terms of product upgrades. This research will focus on the earliest garment-processing industry, but also contains a small number of more recent studies to apply this concept to agricultural geography research.

Within global commodity chains, there are two kinds of management structure: producer-driven and buyer-driven commodity chains. Gereffi refers to the so-called producer-driven commodity chains, that is, big manufacturers' links through the forward- and backward-production processes and by the content of the related industries to provide standardization, distribution, and service to control an entire production system [9]. In contrast, the initiative in buyer-driven commodity chains speaks to larger retailers, trading companies, and brands. With regard to famous brands with strong guidance, the pathways of their scattered big buyers use design and management of international production networks—especially in the third world—to specify their production projects. Buyer-driven commodity chains for profit are not the same as producer-driven commodity chains in terms of scale, quantity, and technical benefits. Indeed, it is from their high value of research, design, sales, marketing, and financial services—in a unique combination—which makes retailers and brand marketers and brand manufacturers in overseas factories come together, and the connections between main products in a consumer market become a niche strategy of action. In producer-driven and buyer-driven commodity chains, vendors are led to produce different kinds of "royalty" to establish barriers to entry for new companies. These royalties may be substantial (such as new products or technologies), fuzzy (brand, reputation, and experience), or somewhere within network marketing skills (buyers). With regard to the issue of industrial upgrading, questions about royalty lie in the creation of the royalty and protection, because the organization creates the royalty by creating a mechanism, through the production of goods and services. Here, royalty is seen to be an additional value, economic upgrading, and satisfaction naturally increases the additional value of creation and protection ability; and to achieve this goal, it should be improved through industrial competitiveness. There are many ways to produce additional value, such as technical innovation to brand creation, from economies of scale to flexible specialization, from low-cost to high-value [10].

The characteristics of two different chains could be seen in different types of industry. For example, producer-driven commodity chains can usually be found in industries with the following characteristics: Global commodity chains consist of large, often transnational enterprises that coordinate production systems, including their "upstream" and "downstream" elements within the center of their roles [11]. For example, the automobile, semiconductor, aviation, and motors sectors are especially obvious with regard to capital and technology-intensive industries. The geographical distribution of these industries is often transnational, and within their commodity chains, the number and distribution of their development degree remain different. The original components of international outsourcing, within many competing strategies in the league in the world, remain common, especially with regard to labor, the most densely populated part of the production process. Producer-driven production systems are responsible for the process of product production and circulation of enterprise management headquarters performed by control mechanisms, with some, or even many of these processes being carried out by other independent companies. Guided by "producers" commodity chains of commodity production, their product area is dominated by the economic strength of the core producer. However, within "buyer-driven" commodity chains within the industry, large retailers and trading companies, in many exporting countries—usually a third-world country—play a central role within the distribution of production networks.

This industry is dominated by trade, and relatively labor-intensive consumer products are common within the industry, such as clothing, footwear, household goods, and consumer electronics, in addition to a wide range of products like furniture and decorative articles made by hand [12]. The main characteristic is the integration of these companies, which usually do not have any production equipment. They are of "no production", also known as "fabless", and such companies rely on complex outsourcing networks [13]. Indeed, they rely upon outsourcing vendors to perform almost all of their respective specialized workloads, such as providing design, engineering, manufacturing, packaging, shipping, and receiving services from all over the world. The core of the company's main role is to manage its relationship network and ensure that each enterprise link can be perfectly combined. Producer-oriented companies tend to copy these functions throughout the different markets of the world within the "home" country of their entire business process, while the purchaser-oriented companies tend to sub-contract the work to other the countries all over the world, only keep some functions—primarily the function of brand marketing and sales—in the home country, and set up different functions in different countries. With the comparison made above, the fashion industry could easily be categorized as a "buyer-driven" commodity chain.

3. Methodology

3.1. Case study

In the social and life sciences, a case study is a research method that involves an up-close, in-depth, and detailed examination of a subject relevant to the subject as well as its related contextual conditions. The "case" being studied may be an individual, organization, event, or action, existing in a specific time and place.

Although no single definition of the case study exists, case-study research has long had a prominent position in many disciplines and professions, ranging from psychology, anthropology, sociology, and political science to education, clinical science, social work, and administrative science [14–15]. However, Thomas offered a definition of the case study as: "Case studies are analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. The case that is the subject of the inquiry will be an instance of a class of phenomena that provides an analytical frame — an object — within which the study is conducted and which the case illuminates and explicates." [16].

According to J. Creswell, data collection in a case study occurs over a "sustained period of time" [17]. Case studies can be defined as a research strategy or an empirical inquiry that investigates a phenomenon within its real-life context. Case study-based research can involve single or multiple case studies, which can include quantitative evidence and multiple sources of evidence, while benefiting from the prior development of theoretical propositions. Case studies should not be confused with qualitative research, as they can be based on any mix of quantitative and qualitative evidence. Single-subject research provides the statistical framework required to make inferences from quantitative case study data [15, 18]. This view is supported and well formulated by Lamnek: "The case study is a research approach, situated between concrete data taking techniques and methodological paradigms" [19]. Therefore, in this report, the main study object will be one individual provincial capital based on careful selection.

3.2. Secondary data analysis

Quantitative research is used to test hypotheses derived from theory and to estimate the size of a particular phenomenon. When using statistical methods, quantitative research starts with the collection of data, based on the hypothesis or theory. Causal relationships are studied by manipulating factors that influence the phenomena of interest while controlling other variables relevant to the research objectives. During the quantitative research process, researchers use either primary or secondary data. Secondary data is information collected by someone other than the user. Common sources of secondary data for social science include censuses, organizational records, and information collected through qualitative methodologies or qualitative research.

Analyzing secondary data saves time that would otherwise be spent collecting information. In the case of quantitative data, secondary sources provide larger and higher-quality databases that an individual researcher would struggle to collect on his or her own. Analysts of social and economic change consider secondary data essential, since it is impossible to conduct a new survey that can adequately capture past change and developments.

Like primary research, secondary data can be obtained from different research strands, including documentation such as censuses, housing information, and social security. Secondary information can also be gathered through electoral statistics and other related databases, such as Internet searches, libraries, and progress reports.

A clear benefit of using secondary data is that much of the background work has already been carried out. In addition, the wealth of existing information available means that secondary data generally has a pre-established degree of validity and reliability; this means it does not need to be re-examined by the researcher.

Views regarding the role of measurement in quantitative research are somewhat divergent. Measurement is often regarded as a means by which observations are expressed numerically in order to investigate causal relations or associations. However, it has been argued that measurement often plays a more important role in quantitative research [20]. For example, Kuhn argued that quantitative research occasionally elicits unusual results [21]. This is because accepting a theory based on the results of quantitative data could prove to be an aberration. He argued that such abnormalities are interesting when discovered during the process of data collection because: "When measurement departs from theory, it is likely to yield mere numbers, and their very neutrality makes them particularly sterile as a source of remedial suggestions. But numbers register the departure from theory with an authority and finesse that no qualitative technique can duplicate, and that departure is often enough to start a search."

Therefore, this report will adopt a qualitative and descriptive approach based on case studies of individual cities around the world.

4. Data resource

4.1. Municipal data

The optimal data source for this report should be gathered from the statistics department of any prefecture-level city in the Pearl River Delta region 20 years ago, which is the incipient phase of the "Reform and Opening-up" policy. During this period, lots of foreign investment was attracted to this region, due to the massive market of mainland China, and the affordable labor cost as well. Also, the section need to be checked are 1. number of establishments in the clothing industry, 2. number of persons engaged in the clothing industry, 3. external direct investment. However, on the website of the Statistics Bureau of Shenzhen Municipality, the earliest data was 2005. Therefore, this report will give more attention to the implication one specific company, rather than a specific city.

4.2. Zara

In this report, the chosen case is Zara. It is one of the world's most successful fast fashion retailers [22]. By studying these particular companies, this report could provide some insights into the process of the fast fashion industry. The most concerning sections of these companies will be their annual turnover, their subsidiaries, their business model, new style, etc.

5. Data analysis

One of the main changes brought about by globalization across and within the fashion industry is the number of companies involved getting bigger than before. The outburst of companies leaves others a lot of options to choose from, and therefore, in the fashion industry, clothing companies are able to choose the cheapest manufacturing company throughout their production processes. This decision is made under the assumption that the clothing company is a rational player in the market and that it will try to minimize its costs to gain greater profitability. As a result, the former job opportunities provided to local workers before are shifted to the developing countries to lower company costs [23]. These firms generally let workers in developing countries occupy the low-tech tasks in their supply chains.

Another change is the scope of geographic location, as the number of companies involved is now not as limited by their location. Indeed, if any company wishes to find an appropriate partner, the range of choice is now not just local or regional but global [24]. With this leeway being so generous, a fashion company could have an in-depth comparison between all its competitors and find the most suitable partner with the best quality and lowest prices. Reduction of the product itself would potentially lower its selling price and increase the product's competitiveness with others on the market.

Other than the two reasons listed above, the fashion industry's greater investment in developing countries could also be explained by "competitive advantage" [25]. Since the manufacturing industry was highly focused within developing countries from an early stage, this helped them to gradually enhance their productivity throughout their history, and eventually bring them a reputation for producing certain types of product, for instance, cashmere from Scotland.

6. Implication to Zara

Berle and Means indicated that with modern joint-stock company equity, dispersed ownership and control of the present situation could be separated, giving control of the company to company managers [26]. The authors argued that control is manifested through the exercise of legal rights or influences, and has a practical choice for most directors. Jensen and Fama indicated that, according to this, an enterprise's decision-making process will be divided into business decision-making, decision management, and decision control; with the former referring to resource utilization and the structure of the contract and execution and approval of decisions, namely decision proposals and enactment [27–28]. The latter refers to the requirement to carry out the proposed decisions and performance and rewards of assessment decision agents, namely, decision acceptance and supervision. The concentration of power in big fashion companies would be seen through the culmination of their power through mergers and take-overs [29]. The highly-concentrated power in a big company would lead to several potential results, and the most obvious four will be discussed below.

The first result is the fact that the control company will take advantage of consumer demands or behaviour, and, in some cases, even their lifestyles [30]. This kind of violation of privacy would help them to produce a product that fits the description of what their customer's need. In this way, they would enhance their market share and concentrate more power to themselves.

Secondly, the big companies—those that currently have more power than others—would create lax regulations on takeovers and mergers, as shown in **Figure 1** and **Table 1**, though this means they will be able to put pressure on smaller, newly-developed companies more easily than before [31]. Given the fact that the company that concentrates power usually in larger scale than the newcomer, these take-overs can sometimes even eliminate the smaller firm. As a result, big companies may be able to wipe out any potential competitors if they are regarded as a threat, which will further ensure that their market share is not encroached upon by others.

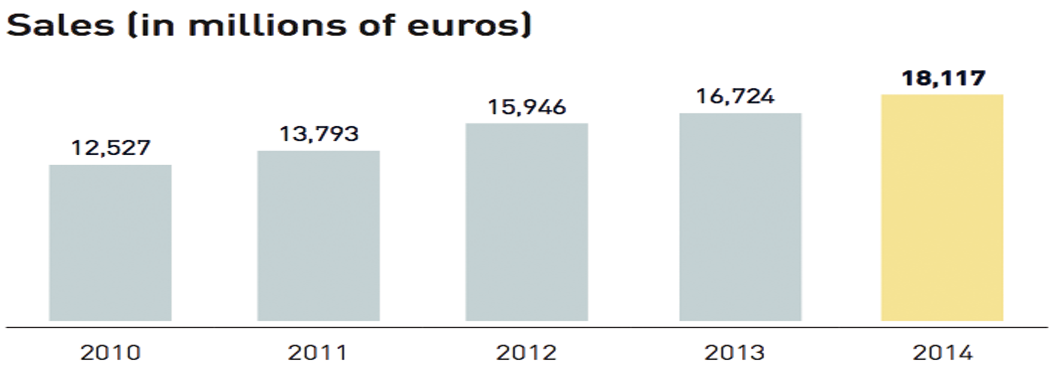

Figure 1. Zara's annual turnover from 2010 to 2014; Source: Inditex Annual Report 2014

Table 1. Brands under Inditex

Company	No. of shops[28]	Year of creation
Zara	2,143	1975
Pull and Bear	922	1991
Massimo Dutti	729	1995 (acquired)
Bershka	1,032	1998
Stradivarius	937	1999 (acquired)
Oysho	598	2001
Zara Home	481	2003
Uterqüe	71	2008

Thirdly, big companies are able to exploit development in the fashion industry. Compared with other companies, they have more human resources and funds by which to develop new technologies. These firms put forward the development of the whole industry and create greater diversity of materials, fabric patterns, and textiles [32]. As shown in **Figure 2**, this advanced new technology applied to their own unique products would give more options for the customer, thereby potentially appearing more attractive to them and leading them to buy these products.

ZARA'S BUSINESS MODEL

Zara's business model can be broken down into three basic components:

1. **Concept:** To maintain design, production, and distribution processes that will enable Zara to respond quickly to shifts in consumer demands.

2. **Capabilities:** It maintains tight control over their production processes keeping design and manufacturing in-house or with some strategic partnerships located nearby . They have strategic agreements with local manufacturers that ensure timely delivery and service. Thus, maintaining the flexibility necessary to design and produce over 12000 new items annually.

Figure 2. Zara's business model

Finally, big companies are able to exploit new management processes [33]. They would take specific actions and techniques, such as the "Just in Time" (JIT) production systems and loyalty cards. This renovation of the management process would help them have a more accurate customer orientation, as well as more efficient production lines. In return, this would help them draw the attention of new customers, thereby enlarging their market share.

However, the adverse impacts brought about by globalization have targeted two specific areas. With regard to local economies, globalization will cause a decline in smaller shops and independent retailers [34]. Losing its carrier, local fashion cultures and diversity might become lost throughout the process of globalization. Another affected area is that of consumers and society; consumers will suffer lower-quality units since every company will choose the lowest manufacturing costs, and this will eventually bring about environmental challenges. For instance, "Fast Fashion" generated considerable waste, as old fashion becomes "out of style." Indeed, in America alone, 68 pounds of clothing and textiles are thrown away by every person each year. Also, the harvesting of raw materials and the growing need for cloth will mean that the nations of origin for raw materials will release pesticides upon cotton crops, potentially poisoning agricultural land.

7. Conclusion

In conclusion, the differences brought about by globalization in the fashion industry may be summarized into four specific performances. First of all, design is more appropriate for a wider market, including the European and Asian markets. Besides the design, the chosen fabrics appear to be more diverse. Second, the trend of moving manufacturing processes to the cheapest site in the world. Third, larger companies would spread their store distribution more widely than before to obtain a wider, global market share. Finally, this would help the big companies to adopt the multi-level hierarchy management system, because only in this case will they be substantial enough to run business across different parts of the world.

Disclosure statement

The author declares no conflict of interest.

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