

Our view on sourcing for 2017



How is the sourcing landscape likely to shift in 2017, and what strategies can help apparel firms and their suppliers to stay ahead? Marc Compagnon, Executive Director of Li & Fung, shares his insights with us. His comments were also covered by two leading trade publications for the apparel, garment and textile industries [Sourcing Journal](#) and [Just Style](#).

Uncertainty and continuation of disruptive macro trends are the biggest challenges facing the apparel industry in 2017

The two constants in 2017 will be uncertainty and the continuation of disruptive macro trends such as demographic shifts, rapid advancements in technologies, the pressures of e-commerce and fast fashion on incumbents, the need for manufacturers to upgrade their capabilities including the digitalization of their processes, as well as political uncertainty in the UK and US.

In the UK, the British government has yet to publish a roadmap of how they plan to leave the European Union or make significant headway in bilateral trade deals so we could be well into 2017 before we understand what Brexit means for our industry.

As for the US, Donald Trump's new administration is gearing up for some significant changes to the status quo. He campaigned to eliminate the Trans-Pacific Partnership (TPP) deal and advocated bilateral trade agreements. I don't think these will have an immediate impact in 2017 because it takes time to renegotiate the terms of trade deals. Regardless of the outcome, retailers and brands that have a diverse sourcing strategy from multiple production markets will be well placed to manage this uncertainty.

Diversification of supply chains is the best hedges against uncertainty

The direction for many companies in recent years has been to narrow and tighten their supplier base as well as where they do business. These are the most vulnerable to disruption.

Companies need to diversify their supply chains now as the best hedges against uncertainty. They need to enable speed and focus on integrated supply chain strategies rather than on cost alone. If they can also recognize the value of having the right processes that deliver the right product at the right time, then it's possible that disruption will have less of an impact.

Embrace new technology and digitalize operations and supply chains to boost speed and innovation

With the current macro conditions, 2017 is likely to be another challenging year for the apparel industry. However, it brings opportunity for retailers and brands to rethink their business models and how they operate to stay responsive against the pace of change and recognize opportunities when they arise, such as the digitalization of the supply chains. Digitalization will help companies enable speed and innovation within their organizations and supply chains, and focus on the demands of consumers through data. This will help them get the relevant product to the consumer at the right time, and at a fair price.