Why are Companies Moving Back Home?

An investigation into the drivers of location choice in the European apparel industry

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ABSTRACT

As a result of globalization, many firms have chosen to offshore value chain activities in the apparel industry. However, there is an increasing trend of moving manufacturing closer to home. Supply chain disruptions, demand volatility and an increasing pressure on sustainability has made many managers of global value chains consider reshoring or nearshoring segments of their supply chain. Reshoring refers to moving previously offshored production back to the country of the parent company. Closely related to this term is nearshoring, which involves moving production closer to the country of the parent company. This thesis investigates the various drivers of location choice within the European apparel industry. Semi-structured interviews were conducted with eight participants involved in the European apparel industry or the reshoring and nearshoring phenomena. The interviews attempt to uncover the different decision-making processes and perceptions of these trends within the industry. The analysis shows that firms consider both supply-side factors and consumer expectations when making location decisions. Control and speed of production may drive location choice from the supply side, while the increasing consumer preference for local products is driving location decision from the demand side. The pursuit of more sustainable practices can influence the location choice for apparel firms, although this is mainly through the consumer's perceived notion of sustainability. A limitation associated with this research is the lack of individuals interviewed with direct decision-making power on the location choices of apparel firms. However, the aim of this thesis is not to provide one answer to the drivers of location choice. Instead, this is an attempt to understand the various positions within the industry on this highly relevant topic.

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LIST OF ABBREVIATIONS

CBI	Center for Promotion of Imports in the Netherlands
ESG	Environmental, Social and Governance
GVC	Global Value Chain
MNE	Multinational Enterprise
OECD	Organization for Economic Co-operation and Development
SME	Small-to-Medium Enterprise
WTO	World Trade Organization

1 Introduction

In a globalized world, firms must rely on their value chain as a crucial factor for success. Location decisions are relevant at all scales and sizes, from large multinational enterprises (MNEs) operating across the globe to smaller firms who must consider location choices for competitive advantage (Theyel et al., 2018). In recent history, manufacturing location decisions have often consisted of firms opting to offshore the production segment of their value chain to low-cost regions such as China and parts of Southeast Asia. These location decisions are driven by an efficiency-seeking approach to business, searching for the lowest cost possible (Dunning, 1995; Robinson & Hseih, 2016). This is especially relevant in the apparel industry with China being the largest exporter. In 2020, China accounted for roughly 44% of global exports (Sabanoglu, 2021). The trend of offshoring "began with the movement of low-skilled jobs for high-volume assembly" (Theyel et al., 2018, p. 302). Firms can simultaneously exploit the lower operating costs in other countries and gain access to geographically dispersed markets; thereby, increasing their competitive advantage (Theyel et al., 2018). China, being a high population country with comparatively lower labor costs to European markets, offers both a hub for offshoring as well as a new consumer market for demand (Herrero & Xu, 2022). However, location decisions are not necessarily permanent and there is an increasing relevance in the "re-location of second degree alternatives", referring to location decisions that occur after the initial decision to offshore manufacturing activities (Fratocchi & Di Stefano, 2019, p. 339). The Russian invasion of Ukraine and strict pandemic lock-downs in China are among more recent large-scale events that have disrupted global value chains (GVCs) and forced firms to reassess the location decisions of value chain activities. Reporting has foreshadowed that these supply chain disruptions have triggered firms across various industries to consider local and regional locations for sourcing and production (Simchi-Levi & Haren, 2022).

The European Reshoring Monitor (Eurofound, 2019), an online database tracking reshoring activity in Europe, has found that the choice to reshore value chain activities has been increasing across all industries and activity types. In manufacturing sectors, the apparel industry has recorded the most cases of reshoring in Europe since 2015 (Eurofound, 2019). The issues most often cited for reshoring relate to the quality of production, monitoring and enforcement of manufacturing activity as well as the proximity to the product market and final customers (Raza et al., 2021). A 2019 Qima survey found that over 60% of European firms have relocated or plan to relocate their manufacturing from China to locations closer to home (Brain, 2019). A study on the comparative advantage of China's manufacturing found that relative to the rest of the world, China's exports in apparel have been decreasing (Huang et al.,

2021). This trend is influenced by the increasing cost of labor in China over recent years. What once was considered to be the "world's factory" is now having Western supply chain managers reconsidering as the relative cost differences are not as attractive anymore (Huang et al., 2021). The increasing monetary costs of doing business in China has coincided with authoritative policies under the country's president, Xi Jinping. The geopolitical tensions between China and western countries makes it somewhat of a catch-twenty-two for Western firms who conduct value chain activities in China. On the one hand, these firms may not want to align themselves with Chinese policy. However, as Ryder (2021) states, "China asserts its right to retaliate against companies it thinks are wading in geopolitics" (n.p.). All these factors can influence the way that firms manage their global value chains and location decisions. China is not the only country in which apparel firms offshore value chain activities. Lopez-Acevedo and Robertson (2015) discovered that countries like Sri Lanka, Bangladesh and Pakistan are becoming increasingly larger hubs for apparel manufacturing. According to reports, "31% of Sri Lanka's exports went to the EU in 2015 and 82% of Sri Lanka's exports to the EU were apparel products in 2016" (Clarke-Sather & Cobb, 2019, p. 1207). However, as China remains such a large stakeholder in terms of both production and consumer markets, China's geopolitical activities will have an impact on other offshoring destinations.

The discussion above focuses on the supply side context of global value chains and its impact on location decisions. However, recent research has shown that there are also significant influences from the consumer side of the value chain. Robinson and Hsieh (2016) discuss the 'made-in effect', referring to the increase in consumer brand appeal for locally produced products. In this way, reshoring potentially plays a role in both gaining better oversight and control of the supply chain and increasing the brand value of the business enterprise. Interconnected to this phenomenon is the increasing pressure on sustainability across global value chains. Gray et al. (2013) discuss sustainability as a significant factor for firms when organizing their supply chains. Offshoring is associated with manufacturing locations far from the intended consumer market. This results in increased shipping resources and energy to transport finished products to these consumer markets. The researchers point out that environmental policies considering the entirety of the value chain would choose reshoring as a more sustainable practice (Gray et al., 2013). Taking these points into consideration, the location decisions for organizing global value chains involves complex choices with vast implications. This thesis will investigate the reshoring and nearshoring phenomena and attempt to understand the decision drivers that guide location choice for value chain activities in the

apparel industry. To better understand the drivers and implications of location choice in the European apparel industry, this research will address the following research questions:

1) What is the magnitude of reshoring and nearshoring taking place in the European apparel industry?
2) What are the general trends driving the location choices of value chain activities in the European apparel industry?
3) What is the relationship between a firm's location decision and their overall market strategy?

In order to answer these research questions, the following section will provide a theoretical background on the topic of location choice and a deeper understanding of the European apparel industry. This will be followed by an explanation of the methodological approach of this thesis and a presentation of the results. A discussion further analyzing the results and putting them in a societal and theoretical context will proceed the results. The conclusion will answer the research questions, address the limitations of this methodological approach and provide several potential avenues for future research.

2 Background

2.1 Defining offshoring, reshoring and nearshoring

Economic theory argues that "comparative advantage and transportation costs determine the appeal of locations to host economic activities (Merino, 2014, p. 299). This means that economic geography is determined by the distribution of comparative advantages across space. Changes across this space will trigger industry location changes as they respond to where the advantage exists. As a result of globalization, researchers claim that these changes occur at a much faster pace and with larger repercussions than they did when the world was less connected (Merino, 2014). Bhagwati, an international economist and professor at Columbia University, illustrates this phenomenon as a kaleidoscope. He argues that both the speed and magnitude of change across the global economy will increase as a result of globalization. Comparative advantages can switch between regions and cities at a rapid pace, increasing the speed and magnitude of change across the global economy (Bhagwati, 2008). Merino (2014) outlines the multiple dimensions through which location decisions are constructed. The first consideration is whether a firm chooses to conduct value chain activities themselves or whether contracts are created with third parties to carry out various activities (Egger & Egger, 2004). Whether a firm wants direct control of specific parts of the supply chain will influence this decision. The second dimension refers to the most advantageous location to locate these

activities (Swenson, 2007). Based on these dimensions, the location choice strategies for value chain activities can be summarized through four options faced by firms. Firstly, they can choose to source in-house in their home location. Secondly, they can contract activities to a third party in their home location. Thirdly, they can choose to source in-house but in a different location. Lastly, they can hire a third party in a different location (Merino, 2014). In all of these options two main choices exist: producing in-house or through a third party and producing in their home location or in a different location. The term offshoring is oftentimes synonymized with outsourcing. Outsourcing simply implies that value chain activities are contracted out to third parties, regardless of where they are located (Olsen, 2006). In contrast, offshoring can be defined as "the relocation of jobs and processes to any foreign country without distinguishing whether the provider is external or affiliated with the firm" (Olsen, 2006, p.6). This process only concerns itself with the second dimension of location choice discussed above; namely, where to locate activities. Moreover, when referring to offshoring, the location of value chain activities is always taking place through 'international relocations' (Olsen, 2006). This thesis will focus on offshoring as this is a necessary first step in order for reshoring to occur. The decision to reshore occurs only after a firm has participated in offshoring value chain activities.

Offshoring has been marketed as a location decision that can improve productivity and reduce costs. By decreasing costs, firms can increase profit and expand their market; thereby, increasing revenue (Piatanesi & Arauzo-Carod, 2019). However, research has pointed out that the magnitude of these benefits has potentially been overstated (Gylling et al., 2015). Firms making the decision to offshore production, by focusing only on the potential benefits, may not consider the relevant costs of this decision (Leibl et al., 2009). Leibl et al. (2009) highlighted the costs associated with offshoring manufacturing in Europe. These authors state that the costs of offshoring in Europe are:

- Costs for shifting the production plant
- High start-up costs at the plant
- High coordination costs
- Additional travel and transport costs
- Adjusting the production process to accommodate different quality standards in different countries
- Communication problems
- Intercultural differences (Leibel at al., 2009, p. 131-132).

In addition, the process of offshoring requires well-organized and efficient communication across firm entities in geographically distant locations (Gersbach & Schmutzler, 2011). In response to the difficulties faced by offshoring, there has been an increasing trend to reshore production back to the firm's home country. Ellram (2013) defines reshoring as "moving manufacturing back to the country of its parent company" (p. 3). Scholars have created varying definitions that attempt to address what exactly 'moving production' back to the home country consists of and the different dimensions involved. For example, Gray et al. (2013) recognize the impact of the ownership dimension on reshoring, referring to whether activities are in-sourced or out-sourced. These researchers propose a typology of reshoring cases, including "in-house reshoring, outsourced reshoring, reshoring for outsourcing, and reshoring for insourcing" (Gray et al., 2013; Fratocchi et al., 2016). For example, a firm may choose to reshore in order to begin manufacturing their products in-house within their home country, reflecting in-house reshoring. Conversely, reshoring may occur when a firm decides to contract out their production to a manufacturer in their home country, which is considered outsourced reshoring. It should also be noted that reshoring does not necessarily consist of relocating the entire value chain. Kinkel and Maloca (2009) expand on this by arguing that this location decision typically involves only segments of the production process and can also reflect the shift from using suppliers from foreign countries to ones found in the home country.

Fratocchi et al. (2014) uses the term 'backshoring', synonymizing this with reshoring. This researcher adds to the definition in the literature by including the voluntary nature of location decisions. In this way, the government of the home country is not an influencing factor in the decision to reshore. A commonality across the varying definitions of reshoring is the recognition that this process involves location decisions for manufacturing activities and is preceded by offshoring. This thesis will adopt the definition of Fratocchi et al. (2014), defining reshoring as "a voluntary corporate strategy regarding the home-country's partial or total re-location of (in-sourced and out-sourced) production to serve the local, regional or global demands" (p. 56). This definition encompasses the fundamental requirement for reshoring to occur, namely that value chain activities are relocated from abroad and back to the home country of the firm. Similar to reshoring is the concept of nearshoring, which relates to the relocation of value chain activities 'closer to home'.

Firms who have determined that offshoring is not an optimal option for them may choose to reshore. Producing in offshore countries may not be the ideal location decision for firms to remain competitive. Geographical distance can make flexibility and oversight difficult. However, there are circumstances in which reshoring to the firm's home country is not feasible

due to the relatively higher production costs (Piatanesi & Arauzo-Carod, 2019). Firms may decide to nearshore value chain activities if reshoring to their home country is not cost-efficient. The literature remains somewhat vague on when this concept was created and the relation to reshoring. Many researchers pay tribute to Softteck, an IT firm based in Mexico, for the creation of 'nearshoring' as a location decision choice (Purkayastha & Samad, 2014). Piatanesi and Arauzo-Carod (2019) define nearshoring as the "relocation of previous overseas activities to countries close to the home country to achieve greater control, savings on co-ordination costs, and time-to-market reduction" (p. 810). In this way, nearshoring can be conceptualized as the 'intermediary strategy' between offshoring and reshoring. It is well understood in the literature that there are significant differences in labor costs between countries such as Germany and China (Leibl et al., 2009). Less acknowledged is the difference in labor costs between geographically proximate countries within Europe. Leibl et al. (2009) examined the differences in labor costs between Western and Eastern European countries. For example, the cost of labor in Slovakia, which is less than 700 kilometers from Germany, is approximately 86% less than the cost of German labor (Leibl et al., 2009). In this way, a German firm with offshored manufacturing in China, can choose to nearshore rather than reshore their value chain activities and save a significant amount of costs related to labor.

The expected benefits of nearshoring, according to Piatanesi and Arauzo-Carod (2019), include the ability to react faster to changes in the consumer market and increased coordination capabilities in relation to when activities were offshored. There is also the closer proximity, both spatial and cultural, achieved by moving production closer to home. Additionally, the labor costs are less than in the firm's home country. This intermediary solution can be seen as an attempt to get the 'best of both worlds' when making a location decision. Both reshoring and nearshoring are an attempt at "reducing geographical, cultural and linguistic distances" across the supply chain and with the final customers (Piatanesi & Arauzo-Carod, 2019, p. 813). The focus of this thesis is on the drivers of location choice in the European apparel industry. As nearshoring can be viewed as a closely related alternative to reshoring, these phenomena will be considered in tandem. The following section will provide an overview of the apparel industry in Europe, including the supply side, consumer side and the various market segments that exist.

2.2 Apparel industry in Europe

2.2.1 Supply Side

This thesis seeks to understand the general trends and decision-making processes associated with the apparel industry in Europe. To do so, it is necessary to understand the

composition of the industry and the actors involved. In 2019, the European Commission reported that the 'textiles and clothing' sector of the EU was comprised of 160,000 firms and employed roughly 1.5 million people. (Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs [DG GROW], 2020). The industry's annual turnover was €162 billion euros in 2019. This sector is composed of a majority Small-to-medium size enterprises (SMEs), with firms employing less than 50 people making up over 90% of the labor pool (DG GROW, 2020). In 2020, China was the leading global exporter of apparel, accounting for 43% of worldwide exports. The EU as a whole was ranked second, accounting for approximately 18% of global exports (Sabanoglu, 2021). Closely linked to the apparel industry, these two countries were also the global leaders in textile exports in 2020 (Sabanoglu, 2021). "Germany, France, Spain, Italy, the Netherlands and Poland" are the largest producers in the apparel industry, accounting for approximately 75% of EU imports globally (CBI, 2021a). Between 2016 and 2020, the EU apparel export market has expanded with an annual 3% growth rate (CBI, 2021a). In 2019, the total EU apparel exports was worth 115 billion euros, with most exports being sold between EU member states. According to Eurostat (2020), the monetary value of exports between EU member states increased by roughly 68% between 2009 and 2019. However, data shows that much of this market is composed of re-exports (CBI, 2021a). The Organization for Economic Co-operation and Development (OECD) defines re-exports as "foreign goods exported in the same state as previously imported" (OECD, 2001, n.p.). In the EU, much of these re-exports are products originating from developing countries, which are then re-sold on the EU market (CBI, 2021a). The discussion above indicates that a majority of the apparel industry in Europe is composed of goods manufactured abroad, whether they are exported or imported.

The European apparel industry is competing against large countries and regions, which have historical leadership within this sector. Research produced through the European Commission has laid out the various challenges faced by this industry in the coming years. The dependency on imports is one of the main concerns for the apparel industry in Europe. This runs in parallel to the already discussed competition from other countries. The research points out that the less stringent Environment, Social and Governance (ESG) standards in developing countries make these regions a less-costly location for production (DG GROW, 2020). Within Europe, the industry faces a workforce that is getting older, relatively higher labor costs in comparison to other regions and countries, as well as a lack of skills for certain activities required across the supply chain (DG GROW, 2020). These challenges are focused mainly on the preliminary segments of the supply chain, related to manufacturing and production. While

these are the challenges proposed for the apparel industry, the European Commission has pointed out various strengths that make this region the second largest stakeholder in the global industry (DG GROW, 2020). High quality manufacturing, especially when it comes to the high-end apparel brands, makes the European industry a leading coalition. Moreover, capacity to innovate and respond to new technological capabilities is a strength for this industry. DG GROW (2020) argues that "strong leadership in high-value-added segments where drivers of competitiveness are difficult to replicate" makes the European industry stand out on the global stage (n.p.). The above-mentioned strengths and challenges in relation to the competitiveness of the European apparel industry are taken at a macro-level. However, they will also influence the location decisions of apparel firms at the micro-level in Europe. The supply-side decision making is one aspect to the industry which connects directly to the consumers and apparel market in Europe.

2.2.2 Demand side

The consumer side is also an important factor when considering the trends in decision making processes for the apparel industry. The World Trade Organization (WTO) reported that the EU was the global leader in apparel imports in 2020 (WTO, 2020). In the previous year, EU apparel imports were valued at 154 billion euros, with approximately 52% coming from non-EU member countries (Eurostat, 2020). "Private consumption expenditure is an important indicator for the European apparel market, a sector closely linked to the economic conditions" (CBI, 2021a, n.p.). When household incomes are lower, most individuals put off buying what is considered to be 'non-essential' products (CBI, 2021a). The private consumption expenditure dropped significantly as a result of the COVID-19 pandemic in the summer of 2020. However, only a few months later, spending bounced back and increased to numbers seen before the pandemic. The exogenous shocks to the apparel industry highlight the uncertainties about the future. Despite this, experts predict that the European apparel industry will continue to expand over the course of this decade, both financially and in terms of size (CBI, 2021a). As the industry grows, consumers are placing an increasing importance on various factors when making purchasing decisions. For example, Ko (2007) discusses that consumers place great value on apparel firms with a 'global image', regardless of the relative price and quality. Global brands tend to have better name recognition and studies have shown that recognition and familiarity with brands impact performance in the apparel market (Ko, 2007; Pae et al., 2002).

In recent years, there has been an increasing call from consumers to better understand where the products they purchase are manufactured. This goes hand in hand with environmental sustainability. Reports from the Dutch Ministry of Foreign Affairs discuss that

Europeans, at both the governmental and consumer level, are becoming more environmentally conscious (CBI, 2021b). In 2021, the European commission started a campaign 'Beyond your clothes', to raise awareness around sustainability in the fashion industry. A main focus of this campaign was the message that since the beginning of the 2000s, consumers increased their apparel purchases by over 60% and the number of annual seasons increased from 2 to 52 (European Commission, 2021). In apparel, 'seasons' refer to the "frequency with which the entire merchandise within a store is changed" (Bhardwaj & Fairhurst, 2010, p. 166). An increasing number of seasons indicates an increasing number of units being manufactured. Government action plans and an increasing sentiment towards sustainability from the public impacts the purchasing decisions made by European consumers. Therefore, apparel firms must consider these trends when making location decisions across their supply chains. This discussion examines the apparel industry as rather homogenous; however, there are various segments within this industry that may have different motivations and considerations when it comes to location decisions.

2.2.3 Market segments

The apparel industry as whole consists of a large range of products with varying price points and levels of quality. In their research on market segmentation, Grover and Srinivasan (1987) consider the market to be "a population of consumers with heterogenous brand preferences" (p. 139). Individuals have different preferences on factors such as price, quality and brand appeal, that influence their purchasing decisions. In this way, consumers can be segmented into groups with similar preferences and purchasing patterns (Grover & Srinivasan, 1987). In order to match products with consumers, the supply side of the industry can be segmented into markets as well. Moore et al., (2018) define market segments as the variety or grouping that the product falls under. In the apparel industry most products and brands can be placed within two broad market strategies. The first one is *haute couture* and creates refined and costly apparel "for a distinguished target market with high income and social visibility" (Mazza & Alvarez, 2000, p. 568). The distribution channels are highly restricted with access given only to those with the financial and social means to participate. In France, *haute couture* is a legal phrase and firms must meet various requirements to be considered part of this group (Pawar, 2021). In contrast, *prêt-à-porter* is a broader segment that "fabricates clothing for mass distribution and consumption (Mazza & Alvarez, 2000). Known in English as ready-to-wear fashion, *prêt-à-porter* encompasses the general apparel industry and its channels of diffusion are unrestricted to the public. Within *prêt-à-porter*, the literature has categorized segments across many different dimensions. Many researchers segment the ready-to-wear apparel

industry into three main segments: luxury, high street and supermarket (Bruce & Daley, 2006, Cheng & Choi, 2010).

Proposed by Ross and Harradine (2010), Figure 1 illustrates a hierarchy of the various segments of the apparel industry. At the top, 'couture' represents the *haute couture* brands that are discussed above. Secondly, 'designer & diffusion' encapsulates high-end fashion, typically consisting of the ready-to-wear collections from the *haute couture*. While they are not as expensive, these products signify a sense of being exclusive and premium (Cheng & Choi, 2010). Thirdly, 'high street brands' are mainstream collections that target a wide audience. High street is considered to be 'fashionable' yet more affordable than the designers. As indicated by Figure 1, 'high street' brands have a faster fashion cycle and greater volumes of production in comparison to 'designer & diffusion' (Ross & Harradine, 2010). Lastly, 'value brands', sometimes referred to as the 'supermarket' segment (Bruce & Daley, 2006), consists of products that are typically mass produced and target a lower income consumer. Ross and Harradine (2010) argue that "the advantages of value brands in terms of access to low-cost mass production which allows them to introduce copies of designers' looks at the same time as the originals" (p. 352). These segments are differentiated across various dimensions, including price, production volume, length of fashion cycle and the influence of design in the products (Ross & Harradine, 2010). Mazza and Alvarez (2000) point out that there can be overlap between these strategies. For example, a *haute couture* brand may create a *prêt-à-porter* line of clothing for a department store. In this way, the two strategies should not be viewed as opposing options but rather the representation of generalized industry strategies (Mazza & Alvarez, 2000). Presently, there are only 14 designers considered to be *haute couture*, including Dior, Versace and Chanel (Pawar, 2021). The relatively small size of this segment as well as its exclusivity in comparison to *prêt-à-porter* segments makes for an interesting comparison.

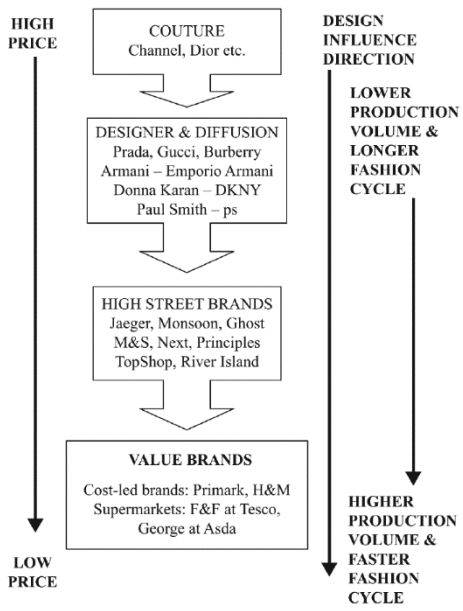

Figure 1. Apparel Industry Segments (Ross & Harradine, 2010).

2.3 History of offshoring in Europe

Offshoring has been a common practice for Western firms across many industries. Over 2,000 firms across Europe participated in the *European Manufacturing Survey*, conducted in 2003 and 2004 (Dachs et al., 2006). A portion of the survey was related to the production and offshoring approaches of these European firms. They found that in the beginning of the 2000s, up to 50% of manufacturing firms across Western Europe offshored at least a portion of their value chain activities (Dachs et al., 2006). The offshoring phenomenon has historically been dominated by large MNEs who produce in low-wage countries to decrease costs. However, SMEs have been increasingly participating in the internationalization of production (Kinkel & Maloca, 2009). To understand why firms, especially MNEs, choose to engage in foreign production, Dunning (2000) created a typology of four strategic reasons for a firm's foreign activity. These are (natural) resource seeking, market seeking, efficiency seeking and strategic asset seeking (Dunning, 2000). The first, resource seeking, refers to firms engaging with foreign counterparts to acquire resources in the form of materials or labor at a relatively lower cost. Second, market seeking involves a firm's desire to access foreign demand markets. Firms with an efficiency seeking strategy aim to achieve improved efficiency through the scope or scale of the value chain activities and costs of production. Lastly, strategic asset seeking strategies relate to specified knowledge assets and attempting to reduce the comparative advantages of competitors (Dunning, 2000). Traditionally, offshoring manufacturing stems from a resource seeking strategy, whereby firm management attempts to cut costs in labor and production by producing in foreign places (Kinkel & Maloca, 2009). Dunning (1988) proposed the eclectic paradigm, which provides a framework for understanding the ownership, internalization and location advantages faced by firms (OLI advantages). Based on this framework, researchers claim that the location and internalization advantages explain the offshoring of production to countries with lower wages. Kinkel and Maloca (2009) argue that "as factor cost differences for capital are lower than for labor between countries, labor-intensive activities might be relocated abroad" (p. 155).

Offshoring has been especially relevant in the apparel industry, both within Europe and North America. During the 1960s, more than 90% of apparel purchased in the US was produced within the country (Yu & Kim, 2018). This has since changed dramatically with just over half being domestically produced by the 1990s. In the past decade, almost all of the apparel firms in the United States (US) have offshored their production to foreign countries (Yu & Kim, 2018). Production has mainly relocated to countries in Asia, where costs of production are significantly lower. Similarly, in the United Kingdom (UK) the apparel industry has changed

dramatically since the 1990s. There has been a significant movement to overseas production in search of lower costs of labor (Barnes & Greenwood, 2006). Researchers cite varying reasons for this shift to offshoring, including "downward price pressures, increased international sourcing, high product variety, high volatility and a market place with low predictability" (Rashid & Barnes, 2017, p. 184). During the 1990s, the domestic European apparel industry was competing with geographically distant countries that could offer savings on costs to firms. Additionally, consumers during this time were increasingly demanding a greater quantity of products at an improved quality (Taplin & Winterton, 1997). Moving production to low-wage countries allowed firms to meet the increasing demand while not exacerbating costs. The WTO agreement on Textiles and Clothing, signed in 1995, ended the restrictions placed on exports coming from low-wage countries to Europe and the US (Taplin, 2006). This same agreement, which led to trade liberalization in 2005, furthered the offshoring trend as regulations were lifted and production quantities could be increased.

There are various hubs across the world where clothing manufacturing is concentrated. China was one of the first countries in which offshoring in the apparel industry took place. However, over time, wages have steadily increased in China and firms have sought out lower-cost countries in which to produce. Cambodia, Indonesia, Vietnam and Bangladesh are among the South-East Asian countries engaging in clothing manufacturing activity (Robinson et al., 2019). Figure 2 illustrates the share of global apparel exports by country between 1980 and 2017 (Robinson et al., 2019). The data was derived from the WTO and shows the slight but increasing relevance of the countries listed above, especially Vietnam and Bangladesh since the end of the 1990s (Robinson et al., 2019). Moreover, the figure illustrates the significance of China as an apparel exporter. While most firms have opted for offshoring at the turn of the 21st century, many Italian apparel firms chose to continue operating domestically (Taplin, 2006). The Italian apparel industry has been noted as an exception to the offshoring trend, relying on "small firms in a decentralized production system, capitalizing on the traditional reputation of specific towns or regions" (Taplin, 2006, p. 266). In the beginning of 2000, Benetton was one of the sole European brands which was continuing to manufacture domestically rather than offshore.

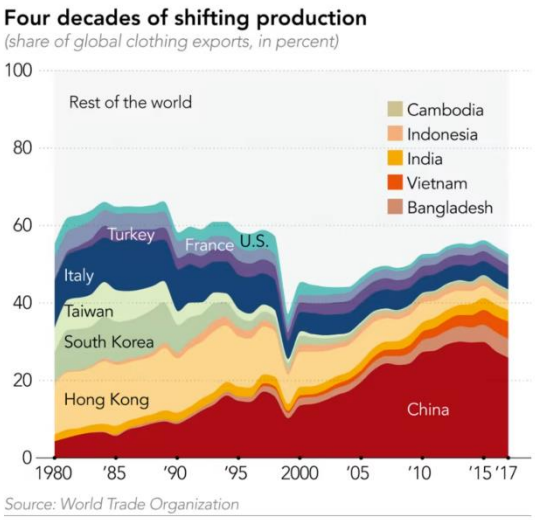

Figure 2. Share of Global Clothing Exports (Robinson et al., 2019).

While Italy has remained the largest apparel manufacture in Europe, many firms within his country have, over time, shifted segments of their value chain to lower cost locations (Taplin, 2006).

2.4 Globalization and Global Value Chains

As the section outlines above, the economy has become increasingly interconnected across the globe. Internationalization, defined as the distribution of economic activity taking place across the world, has been occurring for centuries (Gereffi & Memedovic, 2003). However, a more recent trend relates to globalization and implies greater coordination between geographically distant locations (Gereffi & Memedovic, 2003). This has created vast arrays of GVCs that link supply chain activities in geographically distant locations. According to a World Development Report, the number of GVCs across the world increased significantly from the early 1990s up until the financial crisis of 2008 (World Bank, 2020). GVCs can be defined as "the series of stages in the production of a product or service for sale to consumers. Each stage adds value and at least two stages are in different countries" (World Bank, 2020, p. 17). For example, a t-shirt bought in the Netherlands made from cotton in India and manufactured in Turkey is a GVC. These global linkages can be categorized as being either 'producer-driven' or 'buyer-driven' (Gereffi, 1999). Producer-driven value chains typically rely on large manufacturers to arrange and manage the network of participants. Conversely, buyer-driven value chains "are those in which large retailers, marketers and branded manufacturers play the pivotal roles in setting up decentralized production networks in a variety of exporting countries, typically located in developing countries" (Gereffi & Memedovic, 2003, p. 5). Firms in the apparel industry have historically relied on external third-party suppliers and manufacturers to produce the items they sell. According to Appelbaum and Gereffi (1994), there are differentiated segments of the apparel industry value chain. These authors state that the main segments are:

- Raw material networks
- Component networks
- Production networks
- Export networks
- Marketing Networks (Appelbaum & Gereffi, 1994, p. 46).

There are various segments across the apparel industry value chain, summarized by five main areas. Networks of raw material and components refers to the preliminary stages of the value chain and concerns the sourcing of materials needed for production. Production networks relates to product assembly and creating the final goods for consumers. Export networks is

where trade linkages are formed, leading into the marketing networks where retailers advertise and sell products to consumers (Appelbaum & Gereffi, 1994). The focus of this thesis is on the location choice of value chain activities related to the final goods being produce. Raw material and component networks, while an important aspect of GVCs, will not be a central concern for this research. Similarly, the export and marketing networks will be of relative importance as they concern the final products being produced; however, this research is not concerned with the location choice of retail outlets, for example. Therefore, this research will focus on the production networks segment of apparel GVCs and more specifically, where these activities are located for European firms. In a report by the World Bank Group (2020), researchers argue that there has been a shifting trend towards 'protectionism' and this may result in an increased reshoring of GVCs across all industries. This report links these protectionist tendencies to an increase in the uncertainty and trust in policies and their outcomes (World Bank, 2020).

2.5 Reshoring and nearshoring

2.5.1 Search for alternatives

In response to the changing external environment, firms must make decisions on where to locate their value chain activities. Manufacturing location decision are dependent on the broader strategy of the firm. Theyel et al. (2018) discuss both the influencing factors on the firm side as well as location specific factors. These researchers state that locational factors include:

- Cost of input goods
- Availability and quality of complementary products and services
- Access to markets
- Engagement with customers or other stakeholders
- Administrative costs (Theyel et al., 2018, p. 300).

While considering these location-specific factors, firms must also evaluate their own 'in-house' capabilities and whether they are well suited for a given location (Theyel et al., 2018). Along similar lines, Jensen and Pedersen (2011) proposed a list of factors relevant to a firm's location decision and divided them into four groups, "cost levels, human capital, business environment, and the interaction distance between onshore and offshore locations" (p. 356). Cost levels refers to the cost of labor, resources and taxation in a given location. Human capital considers educational levels and the accessibility to a capable workforce. Business environment encompasses the resources, regulations, industry capabilities and political risk of the location. Finally, interaction distance relates to the geographical, cultural and linguistic 'distances'

between the firm's home location and other location (Jensen & Pedersen, 2011). Theoretically, these various factors can be linked to a firms more generalized strategy that drives their location choices.

Lee (2002) proposed four approaches a firm will pursue related to their 'supply chain strategy': namely, the *efficient*, *risk-hedging*, *responsive* and *agility* strategy. Firstly, the *efficient* approach considers cost focused strategies in which firms attempt to achieve the optimal balance of cost and value in the supply chain. Secondly, the *risk-hedging* strategy is "aimed at pooling and sharing resources in a supply chain so that the risks in supply disruption can also be shared" (Lee, 2002, p. 113). Thirdly, the *responsive* strategy encompasses customer-focused strategies that attempt to anticipate and react to the broad demands of consumers. Finally, Lee (2002) proposes the *agility* strategy that combines both the *risk-hedging and responsive* strategies. This approach is aimed at "being responsive to the changing, diverse, and unpredictable demands of customers on the front end, while minimizing the back-end risks of supply disruptions" (Lee, 2002, p. 114). As discussed above, offshoring is in line with the *efficient* approach; whereby, firms move production abroad in order to decrease their total costs (Jahns et al., 2006, Lee, 2002). The increasing attention being paid to the "re-location of second degree alternatives" (Fratocchi & Di Stefano, 2019, p. 339) implies that firms are beginning to consider factors unrelated to cost when making location decisions (Moore et al., 2018). Arrigo (2020) points out that even when pursuing a cost-efficient strategy, proximity (cultural, geographical and linguistic) is an important factor in the decision. In certain situations, geographically nearer locations would be desired if they offer an optimal combination of proximity across the various dimensions and cost structures (Arrigo, 2020). In relation to manufacturing locations, "the search for lower labor costs remains decisive in combination with an analysis of the availability of skilled labor, currency exchange, tax structure, and shipping time/customer proximity" (Arrigo, 2020, p. 5). Based on these factors, the trend of reshoring and nearshoring in manufacturing has become more popular. The following section will outline the drivers of this phenomenon, based on the available literature.

2.5.2 Drivers of reshoring and nearshoring

In making the decision to relocate value chain activities, firms are driven by various strategies and motivations. The previous sections of this thesis have provided a framework for understanding firm location decision from both a theoretical and practical perspective within the apparel industry in Europe. As the relevance of reshoring and nearshoring has increased in recent years, the research on *why* this is occurring has increased as well. The literature provides both complementing and competing reasons and drivers for firm location choice, especially

when it pertains to reshoring. Fratocchi and Di Stefano (2019a) conducted a literature review on the motivation behind apparel firms' reshoring the manufacturing segments of their value chain. These researchers found that the decreasing labor cost differential between the off-shoring host country and home country is a main reason for reshoring. The inadequate quality of goods produced abroad was among the other reasons discovered (Fratocchi & Di Stefano, 2019a). Supply chain disruptions and the relatively higher costs of managing and coordinating geographically dispersed supply chains could also push firms towards a supply chain with less geographic distance (Kinkel & Maloca, 2009). Moore et al. (2018) researched the drivers of reshoring in the US apparel and textile industry, examining previous literature and popular media publications. Given that Europe and the US are both western economies with similar consumer markets and apparel options, their research provides a potential linkage to the industry drivers in Europe. These researchers found that there was a multitude of factors influencing the reshoring decision and these factors varied in scope and magnitude across different firms (Moore et al., 2018). Sufficient labor laws that protected workers and the capabilities of the labor force were among these drivers (Tran, 2014; Tate et al., 2014). Similar to the work of Fratocchi and Di Stefano (2019a), Ellis (2014) found that as wages rise in offshore location countries, the competitive advantage to offshoring is eroded. Among other reasons found in the literature is the desire for proximity to consumer markets and the cessation of government benefits in the host countries (Ancarani et al., 2015). By examining popular media sources, Moore et al. (2018) could make use of the journalistic investigation that has been done on this topic. The discussion above characterizes reshoring as a risk-mitigation decision that gives firms more control and flexibility of the supply chain.

As mentioned in the introduction, consumer preferences can also play a role in shaping location decisions in the apparel industry. This goes along with a 'resource-based view', which claims that reshoring is driven by firm's lacking the necessary resources abroad to provide them with a competitive advantage (Di Mauro et al., 2018; Canham & Hamilton, 2013). This relates to the 'made-in' effect proposed by Robinson and Hsieh (2016); whereby, consumers place greater value on products that are locally produced. After interviewing UK consumers on the value they place on where their products are made, Diamantopoulos et al. (2011), found that the 'made-in' effect was especially relevant in the fashion (apparel) industry. In the UK, "the brand appeal of 'Made in Britain' or Britishness is a highly valuable marker of authenticity, superior quality, and indicator of tradition in luxury fashion" (Robinson & Hsieh, 2016, p. 90). If consumers are willing to pay a higher price for local products, this could motivate firms to reshore their value chain (Grappi et al., 2015). The consumer perspective

characterizes reshoring as a value-driven decision that attempts to enhance the image of the brand.

A related trend is the increase in attention being paid to sustainability and equity across the globe. Environmental, social and governance criteria (ESG) "are a set of standards for a company's operations that socially conscious investors use to screen potential investors" (The Investopedia Team, 2021, n.p.). According to a briefing by Oxford Analytica (2020), cost-efficiency has not been the main driver of supply chain management in recent years. The increasing importance being placed on ESG criteria as well as a desire for consumers for 'just-in-time' products has shifted the motivations of supply chain managers. Firms are relocating their supply chains to geographically proximate locations to the consumer market and home location of the parent firm (Oxford Analytica, 2020). Conversely, Fratocchi and Di Stefano (2019b) conducted an explorative analysis into the relationship between sustainability and reshoring decisions. They found that the environmental and social aspects of sustainability are not central influencing factors that dictate location choice. In this way, sustainability could influence and potentially encourage a firm to reshore; however, the pillars of sustainability will most likely not have a significant influence on their own. In their analysis, Fratocchi and Di Stefano (2019b) conclude that while ESG criteria are becoming increasingly important when it comes to location decisions, they are not the main driver to reshore. Based on the discussion above, the following section will outline the conceptual framework for the proceeding research.

2.6 Conceptual framework

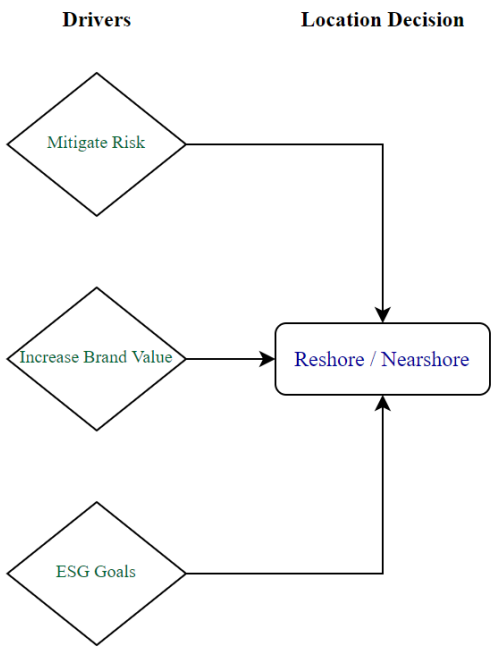

Figure 3. Conceptual Framework

The conceptual framework outlines the potential drivers of reshoring in the apparel industry, derived from previously conducted studies and literature. These drivers can be summarized into three categories, located on the left-hand side of Figure 3. Based on this framework, firms are driven to reshore or nearshore value chain activities by mitigating risk, increasing brand value or in pursuit of ESG goals. Previous research has both generalized location decision drivers across all industries as well as zoomed in on apparel to find industry-specific drivers. This thesis is interested in finding out the extent to which the factors listed in the conceptual framework are, in fact, driving firms to reshore and nearshore in

the European apparel industry. The magnitude of effect these factors have on reshoring and nearshoring decisions is at the core of this research. Moreover, whether firms in differentiated market segments have different factors driving their location decisions will be investigated. The following section will outline the methodology of this thesis, while addressing potential limitations.

3 Methodology

3.1 Qualitative research approach

In his book on social research methods, Bryman (2016) defines this type of exploration as one that uses the social sciences to develop theoretical but also practical understandings of phenomenon. He argues that social research is conducted "because there is an aspect of our understanding of what goes on in society that is unresolved" (Bryman, 2016, p. 3). Triggered by the changing dynamics and trends in society, social research aims to fill the gap in understanding, using various methods and sources. In most cases, social research methods involve answering questions about perceptions and decision-making processes of individuals or collective groups (Hammarberg et al., 2016). At the core of this qualitative approach is the use of inductive reasoning. According to Walters (2001), what this means is "researchers seek information about the data that is gathered; they do not proceed to a project looking for specific findings (p. 60). Researchers are able to conduct their research with an open-mind and potentially learn something in their data collection efforts that would not be possible without the inductive approach (Biklen & Bogdan, 1998). The aim of this thesis is not to come to one definitive answer on the drivers of location choice. Rather, through an inductive approach, this research aims to better understand the general trends and decision-making processes that drive location choice. Discovering the various perceptions of this phenomenon that exist will give the reader a more nuanced understanding of this topic. The following section will outline the methods of data collection for each of the research questions in turn.

3.2 Methods of data collection and analysis

This thesis aims to investigate the decision drivers for location choices that apparel firms have made through their value chain, especially focused on reshoring and nearshoring activities. In doing so, three research questions have been proposed. While each research question has a different methodological approach, they sequentially build on each other to come to a greater understanding of the various decision-making processes and perceptions of reshoring and nearshoring in the European apparel industry. The approach taken for each research questions is discussed below.

RQ1: What is the magnitude of reshoring and nearshoring taking place in the European apparel industry?

This question aims to discover the magnitude of reshoring and nearshoring taking place within the European apparel industry. Beginning with this question allows the reader to understand the size and scope of the subsequent research. Cases will be identified using the European Reshoring Monitor, alongside firm level data and popular media publications. The research team behind the European Reshoring Monitor has categorized each case of reshoring by sector and sub-sector (Eurofound, 2019). This research will focus on the sector of *Manufacturing* and more specifically, the *Manufacture of Wearing Apparel*. There were several firms that reshored from countries within Europe due to various reasons, including mergers and acquisitions (Eurofound, 2019). These are left out of the analysis as this research is focused on location decisions where value chain activities have moved back into Europe from external locations. Firm level data, such as company reports and media publications, will provide further evidence on nearshoring taking place within this industry, as the reshoring monitor does not address this trend. The research team behind the Reshoring Monitor conducted the analysis between 2015 and 2018. The use of additional sources will provide information across a longer time span, complementing the data gathered from the Reshoring Monitor. This was determined to be the most comprehensive and thorough data collection found for evidence of reshoring in Europe. The qualitative design will focus on descriptive research, laying the groundwork for the subsequent research questions.

RQ2: What are the general trends driving the location choices of value chain activities in the European apparel industry?

The second research question encompasses the main point of research and the most significant portion of this thesis. The central aim is to understand the general trends and decision-making process when it comes to location decisions in the European apparel industry. This research question attempts to unearth the various positions that exist within this industry. Qualitative data will be collected using semi-structured interviews. According to Bryman (2016), "semi-structured interviews are used so that the researcher can keep an open mind about the shape of what he or she needs to know about, so that concepts and theories can emerge out of the data" (p. 10). The semi-structured approach employs inductive reasoning to gather information on the research topic. The open-ended style of this methodological approach does not hold any assumptions to be true prior to data collection; thus, allowing for natural discoveries (Schmidt, 2004).

The interviews will be held with individuals in the apparel industry who are involved with the reshoring and nearshoring phenomena. A guide was created that covers the main themes and general questions of the interview. This can be seen in Appendix A of this thesis. As these interviews will be conducted with people of different backgrounds and professions, it is important that the reader is aware of these differences when interpreting the results. Therefore, all interviewees were asked to consent to their interviews being recorded and their personal and professional information being included in the final thesis. The transcripts of the interviews can be found in Appendix B, located in a separate document. The themes included in the interviews are not intended to create problematic outcomes for the participants and their consent to participate addresses the ethical considerations of this research. Further on in this chapter, an introduction to each of the interviewees will provide the reader with additional background information. The third and final research question will build off the information gathered from the interviews, alongside secondary literature on the specific topic.

RQ3: What is the relationship between a firm's location decision and their overall market strategy?

This research question contributes to filling the gap in the literature and attempting to understand the relationship between a firm's market strategy and their location decisions across the value chain. The market strategy, discussed in the background section, refers to the differentiated market segments within the apparel industry. Figure 1 outlines the four segments that will be compared in this thesis: couture, designer and diffusion, high street brands and value brands (Ross & Harradine, 2010). Each of these segments are differentiated in terms of their price points, production volumes, target audiences and overall economic strategies. Using information collected in the interviews alongside secondary literature, this thesis attempts to understand whether differentiated market segments have varying factors driving their location decisions.

In order to analyze the interviews, thematic analysis was conducted on the transcripts. Thematic analysis consists of "identifying, analyzing, and reporting patterns (themes) within data" (Braun & Clarke, 2006, p. 79). The interview transcripts were analyzed and coded, identifying key themes related to the research questions. The themes were developed in order to interpret each participants experiences and perceptions in relation to reshoring and nearshoring. The process of coding involves finding both similarities and differences across the interview transcripts in relation to the key themes (Castleberry & Nolen, 2018). In doing so, interpretations of the data can be analyzed and used to answer the research questions.

3.3 Evaluation and justification of approach

The methods chosen for this research allow for an in-depth investigation into the various perceptions and decision-making processes in relation to location decisions in the European apparel industry. "Validity in qualitative research means 'appropriateness' of the tools, processes and data" (Leung, 2015, p. 325). The use of semi-structured interviews is the optimal methodological approach due to the open-ended nature of the research questions. Whittemore et al. (2001) established a set of criteria for evaluating the validity of qualitative research. The main criteria these authors cite are:

- Credibility
- Authenticity
- Criticality
- Integrity (Whittemore et al., 2001, p. 529).

Firstly, credibility refers to whether the results of the research correspond truthfully with the interviewees discussion. This will be addressed by including the transcripts within the thesis and interpreting them as honestly as possible. Second, authenticity refers to whether the research reflects a diverse set of participants. Ensuring that individuals from different backgrounds and professional levels are included in the interviews creates more robust results. The final two, criticality and integrity refer to whether the researcher has considered all facets of the research process when interpreting the results. Issues arise through "investigator bias, not paying attention to discrepant data, or not considering alternative understandings" (Whittemore et al., 2001, p. 531). It is well understood that individuals are inherently subjective and the results of qualitative research will be interpreted differently. Therefore, researchers frequently employ self-criticality on their work to ensure that their interpretation is based on the actual data being analyzed (Johnson, 1999).

Reliability in qualitative research involves recognizing the potential bias and limitations of the methodological approach (Noble & Smith, 2015). There are several limitations that should be addressed to accurately interpret the results. As in much of qualitative research, it must be acknowledged that the findings are not generalizable to a larger population. The semi-structured nature of the interviews means that they cannot be replicated. Castleberry and Nolen (2018) argue that this is not necessarily a limitation of the method. Instead, readers can determine whether the findings of this research are applicable in different contexts and settings. Coined 'analytical generalization', readers can "identify differences and similarities between the research context and their situations in order to determine relevance and applicability of

study findings" (Castleberry & Nolen, 2018, p. 813). In the case of this thesis, the interview participants come from varied backgrounds and their perceptions and understandings do not reflect a larger population in the industry. The information gathered in this thesis is meant to gain a better understanding of the decision-making processes and perceptions of individuals and firms within the industry. In doing so, this research is not meant to discern whether these perceptions are true across the entire industry. The following section will provide a brief introduction of each interviewee, in order for the reader to better interpret the final results.

3.4 The participants

This section will provide an overview of each of the interview participants. Table 1 provides a list of the participants, when their interviews took place and the duration of each interview. A transcription of each interview can be found in Appendix B. The quotations in the following section of this thesis are from the semi-structured interviews conducted with the below-mentioned participants.

Table 1

Participant List

Participant	**Date and Time**	**Audio Length (minutes)**
Oscar Kneppers	April 6th, 2022	32:56
Julia Vosse	April 5th, 2022	20:24
Harry Moser	April 8th, 2022	39:33
Susan Schofer	April 22nd, 2022	28:41
Dr. Andrew Salerno-Garthwaite	April 29th, 2022	26:54
Xander Slager	May 6th, 2022	41:28
Ben Eavis	May 5th, 2022	31:45
Mariel Beemster	May 16th, 2022	43:24

1) Oscar Kneppers

An entrepreneur based in Amsterdam with a focus on Dutch sheep wool. Knepper's founded the New Dutch Wool Institute in the spring of 2022, which is an organization aimed at reviving the Dutch sheep wool industry. Previously, Kneppers has worked in the media and technology industries. His time researching craftmanship in Japan led him to writing a manifesto that focused on the significance of connecting makers and users.

2) Julia Vosse

Vosse began her retail career in 2013 working at Sam Friday, a Dutch intimate apparel brand. After being promoted to store manager within this brand, Vosse moved to a different Dutch

clothing brand, Scotch & Soda, at the end of 2017. Currently, Vosse has been an assistant store manager of Free People, in Amsterdam, since 2018.

3) Harry Moser

After working in the machining industry for many years, Moser founded the US Reshoring Initiative in 2009. His organization is focused on reversing the trend of offshoring across all industries. Moser works with companies to evaluate the costs associated with offshoring and help individuals and organizations shift their mindset to reshoring.

4) Susan Schofer

Schofer completed a PhD in chemistry at Caltech University in 2004, after which she completed a postdoc at Stockholm University in Sweden. After academia, Schofer became interested in industry and innovation, working on using automation to find new materials. She then spent five years at Amyris, a biotechnology company located in San Francisco. After leaving Amyris in 2014, Schofer joined Modern Meadow, helping run the commercialization effort of this company. Modern Meadow is a biotechnology company that focuses on making sustainable materials such as faux-leather. She focused on aspects of the business related to product targets and finding their market strategy. After over seven years, Schofer has left Modern Meadow and is joining a venture capital firm where she will be a partner and the chief science officer.

5) Andrew Salerno-Garthwaite

After completing a PhD in statistics at the University of Greenwich, Salerno-Garthwaite started his career as a statistician before becoming a data journalist. He was a journalist for the Financial Times between 2018 and 2020, after which did freelance writing and data journalism at various other organizations. Salerno-Garthwaite was given honors from the Royal Statistical Society for Statistical Excellence in Journalism. Towards the end of 2021, he was hired as a data editor for Vogue Business, which is the role he fulfilled until March 2022. In this role, Salerno-Garthwaite focused on the fashion industry and wrote an article on reshoring in the Fashion industry and why this is happening now.

6) Xander Slager

Slager has worked in the clothing and textile industries for many years and lived in Asia as he ran his businesses. His previous work was focused on outwear and bringing greater sustainability to the apparel industry. At the end of 2019, Slager co-founded New Optimist, a socially focused company based in Amsterdam. The aim of this organization is to help newly arrived people in the Netherlands find employment and receive training. In 2020, Slager opened

New Optimist's atelier in which they create sustainably made clothing within their workshop in Amsterdam.

7) Ben Eavis

Eavis' career has focused on sustainability for the last 20 years. He began his career working in the alcohol industry, where he focused on the social issues of alcohol in society. Eavis then moved to Burberry where he led their sustainability program until the end of 2009. He then worked for various companies including Sainsbury's and PepsiCo. This was followed by joining PVH, the parent company of Calvin Klein and Tommy Hilfiger where he was the Vice President of Corporate Responsibility from 2016 to 2019. Currently, Eavis is the Managing Director of Robertsbridge, which is a consultancy firm focused on sustainability and ESG criteria.

8) Mariel Beemster

After graduating from University, Beemster started her career working in the theater. She created the costumes and designs for plays and television. Beemster then moved to Gambia, where she made clothes for the people in her community. This led to Beemster setting up a project in which Gambians sewed children's clothing which she then sold in the Netherlands and other parts of Europe. For the last 13 years, Beemster has been working in the fashion industry for a global fashion brand in which she is a technical designer.

4 Results

4.1 Magnitude of reshoring and nearshoring in the European apparel industry

In order to interpret the results of this analysis, it is important to understand the size and scope of reshoring and nearshoring taking place. This section will address the first research question: What is the magnitude of reshoring and nearshoring taking place in the European apparel industry? This will provide justification for the subsequent research on decision-making processes and location choices of apparel firms. As mentioned previously, the European Reshoring Monitor collected data on European firms that have reshored segments of their value chain across all industries and activity types. Manufacturing will be the focus of this thesis and more specifically, the manufacturing of wearing apparel. Table 2 shows the cases identified by the Reshoring Monitor that have reshored manufacturing from outside of Europe between 2015 and 2018 (Eurofound, 2019). The information presented in Table 2 is derived directly from the European Reshoring Monitor (Eurofound, 2019).

Table 2

European Reshoring Cases between 2015 and 2018 (Eurofound, 2019)

Firm Name	Firm home country	Offshore location	Reshoring announcement date	Driver of Reshoring
Kiplay	France	Tunisia	May, 2016	• Sustainability • Proximity to customers
Roy Lowe & Sons Ltd.	UK	Turkey, China and India	September, 2017	• 'Made-in' effect • Delivery time • Intellectual property protection • R&D vicinity
Le coq sportif	France	Vietnam	October, 2017	• Decision of shareholder
Bomboogie	Italy	China and Bangladesh	January, 2015	• 'Made-in' effect • Know-how in the home country • Labor costs • Labor costs' gap reduction
Krys Group	France	Thailand	November, 2016	• 'Made-in' effect • Automation of production process • Government support to relocation
Benetton	Italy	n/a	October, 2016	• 'Made-in' effect • Implementation of strategies based on product/process innovation • Loyalty to the home country
Burberry	UK	Japan and China	(1) August 2015 (2) November 2015	• 'Made-in' effect • Firm's global reorganization • Know-how in the home country • Poor quality of offshored production • Unattractiveness of the offshore market
Mango	Spain	India and China	July, 2016	• Delivery time • Proximity to customers
Rapanui	UK	India	January, 2015	• Change in total costs of sourcing • Delivery time

				• Need for greater organizational flexibility • Poor quality of offshored production • Proximity to customers
Patrona Luggage	UK	China	November, 2014	• Delivery time • Government support to relocation • Poor quality of offshored production
Iccab	Italy	China	November, 2015	• 'Made-in' effect • Automation of production process • Change in total costs of sourcing • Delivery time • Exchange rate risk • Logistics costs • Loyalty to the home country • Poor quality of offshored production
OVS	Italy	n/a	October, 2015	• Government support to relocation
Paul Smith	UK	n/a	September, 2014	• 'Made-in' effect
Safilo	Italy	China and US	July, 2015	• 'Made-in' effect • Firm' global reorganization • Increased home country manufacturing productivity (e.g., in US) • Need for greater organizational flexibility • Offshored activities' control complexity • Untapped production capacity
Ciak Roncato	Italy	China	July, 2015	• 'Made-in' effect • Implementation of strategies based on product/process innovation • Know-how in the home country
Prada	Italy	China	April, 2014	• 'Made-in' effect • Delivery time • Know-how in the home country • Need for greater organizational flexibility • Offshored activities' control complexity

Based on the European Reshoring Monitor, 16 apparel firms in Europe reshored manufacturing activities from outside of Europe, between 2015 and 2018 (Eurofound, 2019). The reshoring apparel firms are concentrated in a few European countries. Seven of these firms are located in Italy, five from the UK, three from France and one from Spain. This illustrates a concentration in Southern Europe, with the UK being an exception. In 2019, Italy was the EU's largest clothing exporter, accounting for 34% of exports outside the EU (Eurostat, 2020). This was followed by Germany at 16%, Spain at 15% and France at 13% (Eurostat, 2020). Germany seems to be an outlier in apparel reshoring, as no German firm was found in the database. As of 2020, the UK is no longer part of the EU. Therefore, the UK was not included in the Commission's report. A report by the Center for the Promotion of Imports (CBI) in the Netherlands claims that "the import values of the United Kingdom lie right behind Germany, and would likewise take second place in the Top 10 of the European Union" (CBI, 2021a, n.p.) The analysis indicates that reshoring is most commonly occurring in the countries within Europe with the largest presence in the apparel industry.

The countries in which these firm's previously offshored are concentrated in Asia. Nine of the apparel firms offshored at least part of their manufacturing to China. Other offshoring locations include India, Vietnam, Bangladesh, Thailand, Japan and Tunisia. The US was a small location for Safilo, an Italian apparel firm, but most of their offshoring was taking place in China (Eurofound, 2019). The Reshoring Monitor did not publish the offshoring locations for three of the firms; namely, OVS, Paul Smith and Benetton. However, the pattern witnessed among the other 13 firms provides a recognizable trend. The initial reason for offshoring was only listed for three of the firms; Kiplay, Roy Low & Sons Ltd. and Bomboogie. The driver of offshoring for each of these firms was to reduce the costs of manufacturing (Eurofound, 2019). Xander Slager, who has worked in apparel and textiles for the last 25 years, argues that a dominant factor of the offshoring trend is the historical tendency for firms to seek out lower labor costs. In doing so, this typically involves carrying out activities further away in lower-cost countries. Julia Vosse shares similar experiences during her career at her former employer, Sam Friday. She argues that *"for them, it was definitely that production was cheap, and fabrics were cheap. It was just their main option because of costs. It was more cost efficient for them"*. Moreover, it is well documented in the literature that since the late 1970's, firms have offshored to countries like China, due to the relatively lower labor costs (Wiesmann et al., 2017). The reasons for reshoring after the initial decision to reshore, provided by the Reshoring Monitor's data collection efforts, are presented in Table 2. These drivers of reshoring pertain to the second research question and will be elaborated on in the following section of this thesis.

Not all countries and firms have the capacity to reshore manufacturing. Piatanesi and Arauzo-Carod (2019) argue that there are situations where it does not benefit the firm to move back to the home country due to higher costs. Therefore, this thesis seeks to determine the magnitude of nearshoring taking place in the European apparel industry. McKinsey & Company publish their 'State of Fashion' report each year, which discusses the current situation of the global fashion industry and their predictions for the year ahead (Amed et al., 2021). Alongside the report, researchers conduct surveys with individuals within the industry to get a grasp on the different trends. According to their Apparel CPO Survey in 2021, "over 70 percent of companies plan to increase the share of nearshoring close to company headquarters, and roughly 25 percent intend to reshore sourcing to their headquarters' country" (Hedrich et al., 2021, as cited in Amed et al., 2021, n.p.). In an article for Vogue Business magazine, Salerno-Garthwaite points to the trend of European apparel brands nearshoring to Turkey as a result of supply chain disruptions and increasing demand (Salerno-Garthwaite, 2021). He uses the example of Benetton, an Italian apparel brand, which is moving significant portions of their production processes to Turkey and Balkan countries in response to these global trends. Hugo Boss is another example of a large apparel firm that is looking to bring manufacturing closer to home (Anzolin & Aloisi, 2021). These trends indicate that both reshoring and nearshoring are increasing in magnitude over recent years for the European apparel industry. The following section will attempt to understand the general trends and decision-making processes that are driving these location choices, through analyzing the interviews conducted with individuals within the apparel industry.

4.2 Drivers of location choice

The above discussion makes clear that both reshoring and nearshoring is occurring within the European apparel industry. The second research question is: What are the general trends driving the location choices of value chain activities in the European apparel industry? This question aims to understand some of the different mechanisms and decision-making processes behind this trend. Interviews were conducted with eight individuals involved with the apparel industry in different ways. Entrepreneurs and consultants may have different perceptions of the situation in comparison to individuals who are working directly on the sales floor and designing garments. Earlier in this thesis, a conceptual framework was presented that illustrates the drivers of both reshoring and nearshoring, based on extant literature. These were summarized into three categories; namely, mitigate risk, increase brand value and in pursuit of ESG goals. Information retrieved from the European Reshoring Monitor and the interviews will be presented and compared with these proposed drivers.

4.2.1 Demand-side drivers

Consumer perception and demand seems to be a highly relevant driver of firm location choice. The European Reshoring Monitor provides the motivating factors for each firm's decision to reshore, illustrated in Table 2. Out of the 16 firms included in this analysis, 10 of them listed the 'Made-in effect' as at least one of their reasons for bringing production closer to home (Eurofound, 2019). This included firms' reshoring to Italy, France and the UK. Burberry is one of these firms and a name that appears frequently when investigating this topic. Ben Eavis has previously worked for Burberry, leading their sustainability team. Eavis describes their decision to reshore as one based on heritage and as a promotional opportunity. The idea was that when consumers are looking to buy Burberry products, they wanted the idea of 'Britishness' to accompany the purchase. Eavis states *"that was a USP [unique selling point] that they had over wanting to tell the story of their roots, their heritage, but ultimately marketing, and then being able to command more of a premium price as a result of that"*. Burberry reshored production of some of their key pieces, including the classic trench coat. The manufacturing of what Eavis refers to as 'commoditized' products such as t-shirts, remained abroad. As a result of this location decision, Burberry has seen their revenue increase and an enhancement to their brand image (Robinson & Hsieh, 2016). Similarly, Oscar Kneppers discusses the idea of the 'story' behind clothing and the importance of establishing a connection between the makers and buyers. When something is sourced and manufactured locally, the consumer can understand where exactly their purchases are coming from. In accordance with this line of thinking, the value of the product could increase in the consumer's mind. While this may not hold true across the entire market, it points towards the potential of firms to increase the value of their products through nearshoring.

Media outlets have also reported on these changing dynamics and the increasing demand for local products across European countries. Harrison (2015) reports for CNN that companies like Roy Low & Sons have found that reshoring production has helped boost their sales and 'satisfy' the consumer calls for local products. Vosse, who has been on the apparel sales floor for the last ten years, points out that customers are increasingly asking where the products are made and many tend to prefer clothing produced in nearby countries. Since the late 1980s, consumers have begun to question the ethical and environmental impacts of the products they buy (Beard, 2008). Where the products are produced, the labor conditions and how it arrived at the final destination are all gaining increasing attention to a portion of consumers (Snyder, 2010; Powell & Zwolinski, 2012). While working at Sam Friday, sharing with customers that the products were made closer to home helped justify the higher prices,

said Vosse. Sam Friday was a start-up when Vosse began working there in the early 2010s. Production volumes were a lot less in comparison to huge global brands. When discussing with Mariel Beemster, a technical designer at a global fashion brand, she had a conflicting perception of the 'made-in' effect. The large brand that Beemster is employed at does not use the 'made-in' label as a marketing tool. While some of their products have been nearshored to Turkey and Portugal, this was mainly driven by quality and not necessarily to attract customers. However, the consumer preference for apparel made closer to home could relate to the common perception that apparel manufacturing is linked to inadequate working conditions. Phau et al. (2015) points out that luxury brands like Armani and DKNY as well as brands like Nike and H&M have been accused of using sweatshops to produce their apparel. The 'made-in' effect not only signifies that a piece of clothing is made locally but gives a perception to consumers that ethical conditions have been considered. Slager mentions that there are factories in Italy where workers face worse conditions than in the popular offshoring destinations. While this may be a perception for some consumers, it must also be considered that producing closer to home does not necessarily make the process ethical.

Susan Schofer was previously employed at Modern Meadow, a faux-leather company that manufactures in Italy. She reiterates the idea that reshoring and nearshoring can increase brand value. Schofer states:

> *If you're an American brand and you can tell a story about it being made in the USA, you're going to make a whole video about it. And that's really your PR campaign. And it does work because Americans care.*

She argues that the same goes for Europeans, although it may be more related to nearshoring rather than reshoring. In an interview with Harry Moser, the founder of the Reshoring Initiative in the US, he mentions the need to market locally made products in a significant way so that consumer attention is drawn towards the reshored brands. In the US, there is a lot of meaning behind the label 'Made in the USA'; however, Moser argues that there is a lot of discussion on the topic in Europe as well. He points out that nearshoring is a potentially more viable option for countries in Europe as their size makes reshoring implementation difficult. Even so, the brand image can still increase in value from nearshoring.

4.2.2 Supply-side drivers

The 'made-in' effect and improving the brand's image was the most commonly listed driver of reshoring in the Reshoring Monitor database. On the supply side of the value-chain, the most frequently cited drivers of reshoring were delivery time, know how in their home country and poor quality of the offshored production (Eurofound, 2019). There has been a multitude of

events in recent years that have disrupted global value chains, including the COVID-19 pandemic and the blockage of the Suez Canal. Kinkel and Maloca (2009) reported that the increasing complexity associated with manufacturing in distant locations makes reshoring and nearshoring more appealing to firms. As Beemster points out, it takes a significantly longer time to design and manufacture products when doing so in geographically distant locations. Working as a technical designer with vendors in China, it can take roughly six months to get a collection from design to showroom, says Beemster. In contrast, when Vosse's company began producing in Turkey, they were able to get their collection done in a much faster time frame. Vosse explained how manufacturing close by allowed them to be more flexible with their manufacturing and replenish items that sell through in a timely manner.

The speed of manufacturing when reshoring and nearshoring can relate to the concept of 'just in time' production. In an expert briefing by Oxford Analytica (2020), firms will have to consider moving towards this 'just in time' manufacturing model in order to stay competitive and this oftentimes means moving production closer to home. Eavis spent time working for PVH, the parent company of Tommy Hilfiger and Calvin Klein. He discussed how for these firms, nearshoring was about speed and capacity planning. However, this was segmented based on the product type. Core pieces that rarely change could remain being manufactured in offshoring countries. Conversely, more 'fashion-focused' products often require a faster turnaround time so nearshoring and reshoring became the optimal location choice. According to the McKinsey & Company report, "brands will need to balance the desire to enhance speed to market with the need to alleviate supply chain pressure" (Amed et al., 2021, p. 34).

Andrew Salerno-Garthwaite relates the supply chain disruptions with the concept of demand volatility. He describes how in the current state of the apparel market, firms are constantly responding to changes in demand. Using the recent pandemic as an example, demand was fluctuating significantly from month to month, creating a whiplash effect across the industry. If supply chains are shorter in both distance and time, firms can react faster to changes in demand, thereby reducing the uncertainty of the market. Demand volatility, according to Sartal et al., (2017), has been increasing across the apparel industry and has resulted in many firms adopting a fast-fashion model of manufacturing. Inditex is a prime example of this new way of manufacturing. Whereas most apparel firms are driven by cost, Inditex claims that producing closer to home matters more than producing at the lowest possible cost (Pohl, 2001). From the late 1990s to 2005, Inditex has increased the number of new items in their collection from 10,000 to 20,000 per year (Crofton & Dopico, 2007). As Beemster mentions above, offshoring manufacturing can make for a six-month design process.

In contrast, Eavis discusses the Inditex model and how they are able to complete this process in six to eight weeks.

The speed of production and ability to mitigate risk was commonly discussed across the interview participants as drivers to move production closer to home. Schofer postulates that security and greater control are significant drivers of location choice. In contrast, Beemster discusses the importance of offshoring. When asked whether supply chain disruptions had an effect on business, Beemster claimed the negative effects were not as bad for her firm. While the blockage of the Suez Canal caused uncertainty and stress across the brand, the business continued to do well. *"When a brand is really strong and can handle difficulties, other brands will weaken and you stay strong,"* said Beemster. What led her firm to nearshore segments of their collection was quality. In the European Reshoring Monitor, "poor quality of offshored production" was listed as a reason to reshore for four of the firms (Eurofound, 2019). Vosse discusses Sam Friday's move to Turkey and the improved quality of the clothing, which helped to justify the resulting increase in prices. Similarly, Beemster's firm nearshored some of their garment manufacturing to Turkey and Portugal for quality reasons. In research on reshoring, product quality comes up as one of the most cited drivers across all industries (Fratocchi et al., 2016; Ettlie & Sethuraman, 2002). The perceived quality may also interplay with the actual quality of the products as consumer perception is built on a multitude of factors (Eggert & Ulaga, 2002). In her interview, Vosse mentions this idea of consumer perception, arguing that customers have a better association with something being produced locally and the associated quality. This can have an impact on their purchasing decisions, said Vosse. Over time, however, the quality differences between countries have decreased and Moore et al. (2018) found quality to be decreasing in significance as a driver of reshoring since 2016.

Sustainability was only cited as a driver to reshore in one of the firms listed in Table 2. This corresponds with the interview participants who across the board, did not necessarily consider the pursuit of ESG goals to be a main driver of location choice. Salerno-Garthwaite mentions that ultimately, firms are concerned with creating value. *"If they can see the benefit to their margins from being sustainable, they'll pursue it"*, says Salerno-Garthwaite. However, this does not necessarily mean changing locations. He points out that the cost of materials and the ability to implement other 'sustainable' measures like planting trees to offset emissions, can create the same amount of value. Similarly, Eavis, who has worked in sustainability within the apparel industry, argues that this could be seen as a secondary driver of nearshoring and reshoring. The focus of these conversations was on the manufacturing of final products. In this way, the concept of reshoring and nearshoring does not consider where the materials are

coming from. Eavis elaborated on this topic, explaining the process behind a t-shirt produced and made in the UK. The cotton needed to make the t-shirt could come from Brazil, be shipped to China for processing and eventually end up in the UK where it is made into the final product and sold. Whether a product is more sustainable when it is made closer to home must also encapsulate the entire value chain of the materials used, according to Eavis. The increase in speed of production stemming from local manufacturing has made brands increase the amount of clothing they produce. A McKinsey & Company report found that "among all European apparel companies, the average number of clothing collections has more than doubled, from two a year in 2000 to about five a year in 2011 (Remy et al., 2016). This presents a double-edge sword; whereby, nearshoring may reduce emissions from transportation, but if it leads to increasing production volumes it may not contribute to improved sustainability.

4.2.3 Luxury versus mainstream

The previous results focus on understanding general trends across the entire European apparel industry. The third research question seeks to compare trends across the industry, based on differentiated market segments. The final research question is: What is the relationship between a firm's location decision and their overall market strategy? This thesis has categorized the industry into four market segments, illustrated in Figure 1. Salerno-Garthwaite was asked about his perception of luxury fashion as this was the area in which he has done extensive research. Luxury would refer to the brands within the 'Couture' and 'Designer & Diffusion' market segments. *"In luxury, we talk about prestige, heritage, and exclusivity. And price and exclusivity come together. And whether something is manufactured within your country isn't necessarily a benefit to the brand. The brand name overrides that,"* said Salerno-Garthwaite. In this case, a luxury brand's location choice would not be driven by a desire to increase their brand value, as the value is driven by the name itself. Eavis contradicts this perception when asked whether he thinks customers care whether their luxury goods are manufactured nearby. Eavis gives the example of Burberry, arguing that the 'Made in the UK' label is exactly what the customer is searching for. When he worked for Burberry over ten years ago, customers were stunned to find 'Made in China' labels when they were supposedly *"buying into the British dream,"* remarked Eavis. This contradicts the previous statement by Salerno-Garthwaite, as he argues that a luxury brand 'name' is more influential on consumer purchasing decisions.

A different aspect of location choice is feasibility. Eavis points out that for luxury brands there is less margin pressure. This means they can have more flexibility when it comes to where they choose to manufacture and the perceived value of that location. In comparison,

for value brands and high-street brands it may be margin pressure that is pushing them towards offshoring, argues Eavis. According to a journalistic report, luxury fashion brand margins can range anywhere from 18% to 25% (Crompton, 2014), while more mainstream brands will typically have around a 4% to 13% profit margin (Sable, 2019). This has also resulted in fast-fashion companies operating in distant countries. However, the idea that firms within these lower market segments are being driven to nearshore in search of shorter production times, was echoed across most of the interviews. Both Schofer and Eavis discus the quality aspect as being significantly more important for luxury brand. Firms in higher market segments are typically seeking out the best craftsmanship, which is often located in countries like Italy or the UK, according to these interview participants. From the European Reshoring Monitor, three of the firms are considered to be 'Designer & Diffusion' brands; namely, Prada, Burberry and Paul Smith (Ross & Harradine, 2010). All three of these firms listed the 'made-in' effect as being one of the reasons for reshoring. The lack of quality in offshored locations and capabilities in home countries were also cited by both Burberry and Prada. Speed of production, which was referenced by six of the reshoring firms, was only mentioned by one of these luxury brands, indicating that this may not be a top priority in higher-end market segments.

5 Discussion

The reversal of initial offshoring decisions is becoming increasingly common, with some studies reporting that one in every four offshoring firms decides to reshore (or nearshore) manufacturing within the next five years (Kinkel, 2007). More specifically, empirical studies indicate that the reshoring trend is especially relevant within this industry (Barbieri et al., 2018; Boffelli et al., 2018). Data from the European Reshoring Monitor confirms that across all industries, reshoring is most common in the apparel industry (Eurofound, 2019). An important finding is that nearshoring is a more relevant phenomenon in the European industry, in comparison to reshoring. Clothing production within the EU is concentrated in a few, mostly Southern European, countries. According to reports, the biggest manufacturers in Europe are, "Italy, France, Germany, Spain and Portugal. Together they account for about three-quarters of EU production" (DG GROW, 2020, n.p.). For this reason, a Dutch clothing firm, for example, would most likely nearshore their production to one of the above listed countries, rather than manufacture in the Netherlands. Even so, the drivers of reshoring and nearshoring seem to be similar and ultimately refer to bringing production closer to home. While the research and extant literature has made clear that this phenomenon is occurring, less understood are the mechanisms behind the trend. This thesis seeks to understand the various positions and

decision-making processes regarding location choice in the apparel industry. Interviews with various individuals within the industry highlight the multiple and interrelated drivers of the nearshoring and reshoring trends. Both responses to consumer demand and supply side considerations seem to be relevant and influencing factors for location choice.

There is a growing body of literature on the consumer responses to offshoring decisions. Grappi et al. (2013) argues that "the public often perceives plans to offshore as immoral" (p. 684). Perceived job losses in the home country and the ethical considerations associated with foreign production are among the influencing factors in the consumers perception (Grappi et al., 2013). This indicates that the manufacturing location may influence consumers valuation of a product and their purchasing decisions. A strong sentiment across the interviews was the idea of consumer perception. The 'made-in' effect was the most commonly listed driver of reshoring in the European Reshoring Monitor (Table 2) and discussed frequently across the interviews. Increasing their brands value seems to be a significant driver in firm location choice. However, across some of the interviews, the sentiment was that the 'made-in' effect was more relevant for brands in higher market segments (i.e., luxury brands). Burberry is a commonly cited example, with Eavis pointing out that their entire reshoring strategy was based on providing the customer with products that were 'Made in the UK'. In this way, reshoring was a strategy aimed at correcting the previous decision to offshore (Robinson & Hsieh, 2016). Luxury apparel brands have a significant amount of value attached to their name, which places more importance on where they are produced. However, across the entire apparel industry, nearshoring and reshoring seem to provide firms with the opportunity to increase their brand value. Schofer points out that firms can capitalize on being 'locally made' and use this location choice as a marketing tool. Salerno-Garthwaite's opposing view, that in luxury fashion the brand name overrides the manufacturing locations, offers an interesting counter-argument. It may be the case that for some brands, the consumer preference is more relevant in driving the location decisions than in others.

This concept also relates to the perceived sustainability behind firm's location decisions. According to an article for Reuters, Western European consumers are increasingly calling for greater efforts towards sustainability and transparency within the apparel industry (Bacchi, 2018). Across all of the interviews, ESG goals were only considered to be a secondary driver of location decisions. Additionally, both Slager and Eavis point out that the manufacturing of final products does not necessarily consider the social and environmental implications of the entire value chain. Research has shown that there is a perception that offshoring results in negative impacts on the environment (Robertson et al., 2010). If firms

recognize these consumer perceptions, this could be a factor driving them to move manufacturing closer to home. Schofer points out that while the pursuit of ESG goals may not be a driving factor for reshoring, the consumer calls for greater sustainability may drive firms to change locations. *"It might be worth considering that it doesn't really matter what the true motivation is. All that matter is maybe, hopefully, consumers can drive firms to do the right things"*, said Schofer. However, firms must be careful not to fall into a greenwashing trap; whereby, nearshoring is marketed as increasing sustainability, when the entire value chain is not considered (Oxford Analytica, 2020).

Ultimately, firms are driven by cost. While offshoring decisions are usually based on reducing manufacturing and labor costs (Piatanesi & Arauzo-Carod, 2019), there are other costs associated with the value chain that may drive firms towards a closer manufacturing location. A report produced by the United Nations discussed the increasing transportation costs for shipping products worldwide (United Nations Conference on Trade and Development [UNCTAD], 2021). According to the report, GVCs will have higher costs of transporting their products, which will eventually cause an increase in consumer prices (UNCTAD, 2021). Media outlets echo these findings, arguing that this could "increase global import price levels by 11% and consumer price levels by 1.5% between now and 2023" (Abdulla, 2021, n.p.). The UNCTAD (2021) report argues that this trend poses significant risk to apparel firms, as there are relatively higher transportation costs associated with this industry. The increasing freight price may influence the location decisions of apparel firms, as producing in distant locations may not be the most cost-efficient strategy anymore.

An additional cost relates to the speed to market. When manufacturing in distant locations, the total time from design to market can take roughly six months, whereas nearshoring can cut this time to six weeks, according to Eavis. This corresponds with the idea that nearshoring and reshoring may be driven by a firm's desire to mitigate risk. In an industry where speed to market provides firms with a competitive advantage, the risk of losing time because of offshoring may influence a firm's location decisions. Across all of the interviews, the speed of production was referenced as an influencing factor on value-chain location choices. However, a differentiating factor had to do with the scale of production. Beemster pointed out that when a firm is manufacturing at large volumes, the costs may be too high to manufacture in Europe. Whereas Sam Friday, which was a startup when Vosse was a manager there, had much lower production volumes. This made it difficult to find vendors in offshoring countries, like China. This discussion points towards the diversity across the apparel industry and that there is no one-size-fits-all approach to location decisions.

6 Societal and theoretical implications

While the body of this research has focused on the drivers behind reshoring and nearshoring, closely related are the potential implications and outcomes of these decisions. The topic of waste and 'just-in-time' production was brought up in multiple interviews. In an article for Vogue Business, Cernansky (2021) discusses the practice of luxury brands in which unsold product is destroyed at the end of the season. This is done to maintain the value of the brand's products and ensure that nothing is discounted. Moreover, research has found that instead of searching for ways to reuse the products, destroying them is often more cost-effective (Cernansky, 2021). Both Eavis and Moser describe the potential of nearshoring and reshoring for decreasing waste within the industry. In an interview with Eavis, he describes how over 80% of textile waste ends up in landfills. He draws the parallel between nearshoring and the ability to decrease waste in the industry. Eavis states:

> *There is a whole other aspect of nearshoring, where timelines can better match demand and companies can place meaningful orders based on actual sales, as opposed to signing off something six months before or a maximum order coming out of India and not achieving the sales levels you wanted.*

By manufacturing closer to home and having shorter supply chains, apparel firms can more accurately predict the amount of inventory they need and therefore, end up with less waste at the end. Crofton and Dopico (2007) discuss store inventory in the context of firm revenue for Inditex, a firm which manufactures in the home country of their parent firm. These researchers argue that store inventory makes up less than 8% of the firm's revenue, versus over 12% for their competition (Crofton & Dopico, 2007). Along similar lines, Kneppers discusses the Dutch sheep wool industry and the fact that 1.5 million tons of wool in the Netherlands is destroyed each year. This, according to Kneppers, results from a lack of a domestic industry to use this material. Dutch wool brands, for example, by reshoring manufacturing, could revive the industry and decrease the annual waste. While waste was not found to be a significant driver of location decision, this discussion points towards the potential societal implications of these decisions. Additionally, according to Rao et al. (2021), demand volatility will be one of the greatest stressors on retailers in the post-COVID era. In order for firms to remain competitive, while also producing less waste, nearshoring production could be a potential strategy.

As mentioned in the beginning of this thesis, the world has become increasingly connected with firms having the capacity to conduct business activities in geographically distant locations. Firms are increasingly looking at alternative location options that do not involve such geographic distance. A UNCTAD (2021) report stipulates that the large-scale

globalization efforts of the previous decades seem to be slowing down. Global events like the COVID-19 pandemic as well as supply chain disruptions as influencing factors of this 'anti-globalization' movement (UNCTAD, 2021). However, the report points out that GVCs are "the product of years of investment, relationship-building, and knowledge acquisition, and China's large production and logistical capacity and economies of scale are difficult to replace" UNCTAD, 2021, p. 21). A total shift away from globalization and the reliance on GCVs is unlikely. When asked about the future of manufacturing in the apparel industry, many of the interview participants believe there will be a new equilibrium found between offshoring and nearshoring. Firms will handle these exogenous factors differently and make location decisions that benefit their brand. This research has shown that there are a multitude of reasons why firms are making these decisions and regardless of the reason, they will have implications on the historical push for globalization.

7 Conclusions, limitations and avenues for future research

There is an increasing relevance of both reshoring and nearshoring in the European apparel industry. The magnitude of this relocation pattern has been increasing, especially since the early 2010s. There seem to be many trends that are driving these location decisions, with most firms citing multiple reasons for why they are moving production closer to home (Eurofound, 2019). Based on discussions with the interview participants, firms are balancing both supply-side factors with meeting consumer expectations and demand. In the face of global supply chain disruptions and associated demand volatility, many firms are driven to reshore (or nearshore) to gain better control of the supply chain and increase the speed of production. At the same time, consumers are increasingly demanding more localized products and basing their value of products on where they are manufactured. On the outset, the pursuit of ESG goals was thought to be a driver of firm location choice. However, this does not seem to be the case in the European apparel industry. Sustainability and ethics along the supply chain may influence location choice through the guise of consumer perception. The discussion on waste within the apparel industry points towards the potential for location decisions to influence the industry's environmental footprint. By reducing waste through nearshoring, firms can potentially become more environmentally sustainable. The reshoring and nearshoring phenomenon are influenced by many factors, so it would be impossible to argue that there is one correct explanation. Moreover, apparel firms have different goals that are driven by their specific strategies. This was most clear when comparing firms across market segments. While brands in higher market segments (Designer & Diffusion, Couture) may find it more feasible to nearshore their

manufacturing, these firms may also not require the boost to their image. This presents a divergence of benefits, whereby the firms that have the means to manufacture closer to home, acquire less benefits from doing so.

This thesis has used semi-structured interviews, alongside secondary literature to come to a greater understanding of location choice in the European apparel industry. It is important to address the limitations associated with the selected research as they may have an effect on the interpretation of the results. The first and most significant limitation relates to the lack of interview participants with decision-making power within apparel firms. Interviewing individuals who are directly involved with apparel firm supply chains would provide a deeper understanding of firm-specific drivers of location choice. However, accessing these individuals is difficult as most firms do not wish to disclose this type of information. Fratocchi et al. (2016) use secondary literature and data to develop a framework for understanding firm motivations for reshoring. These researchers argue that their work is the "first one that attempts to collect, classify, and organize in a theory-based framework the motivations of reshoring as they emerge from extant literature" (Fratocchi et al., 2016, p. 119). This speaks to the nascent stage of this research.

Previous work on the topic has highlighted the difficulty in finding data regarding reshoring. Reshoring and nearshoring are often seen as a correction of a previous location-decision. Research has shown that a relocation, meant to correct the initial decision, is viewed rather negatively (Hennart et al., 2002). Therefore, according to Hamilton and Chow (1993), individuals making these decisions are oftentimes unwilling to speak on the topic. The participants interviewed for this research are involved in the apparel industry in some way and can speak to general trends within this industry. Moreover, including individuals with different backgrounds provides more robust results in line with the main aim of this research. Hearing from entrepreneurs, journalists, retail managers and designers provides a broader understanding of the various positions within the industry. As mentioned at the beginning of this thesis, the aim is not to come to one definitive answer on the drivers of location choice with the European apparel industry. Rather, this research seeks to uncover the general trends and drivers of these trends that exist.

Another limitation that should be considered refers to the semi-structured nature of the interviews. Due to the diversity of participant backgrounds, not everyone was able to answer the same questions. For example, Beemster has direct experience working for a global fashion brand, while Salerno-Garthwaite's experience is related to data research and journalism on the topic. This means that the participants answers cannot be compared to each other, without

considering the difference in experience and background. As this thesis aims to understand the different positions that exist within the industry, this could also be seen as a strength of the research. However, the results must be interpreted with the understanding that the interview participants have different experiences, knowledge and background on the topic of location choice. It should be mentioned that this research is not statistically significant as there were eight interview participants. In order to come to a more generalized answer on drivers of location choice, interviews should be held with a greater number of individuals within the industry. Conducting an anonymous survey across the European apparel industry may provide more robust results as individuals would potentially be more willing to participate if their profile was not shared. Further research could attempt to pose these research questions towards individuals with the decision-making authority to make location decisions.

When asked how they thought this reshoring and nearshoring trend would unfold in the future, a common sentiment across the interviews was that it would grow. However, many believe that the future of manufacturing in the apparel industry will be a mix of both producing closer to home and continuing to offshore. An additional avenue for future research could attempt to investigate the balancing act between reshoring (nearshoring) and offshoring within this industry. How will firms incorporate both strategies within their supply chain and what types of activities will be moved closer to home? In their interviews, Beemster and Slager discussed three-dimensional digital design technology as an innovation that has the capacity to change the way in which this industry operates. Instead of sending physical designs back-and-forth, much of the work can be done digitally. Beemster postulates that this is cost and time effective, as well as being more environmentally sustainable. Value chain activities can still take place in geographically distant locations, in a more effective manner. Slager contradicts this with the argument that digitizing the design process would be more beneficial on a local level. Individuals will still want to feel the materials, understand where they are coming from and it would open up the industry to smaller-scale designers. Comparing these two viewpoints on the future of the apparel industry would offer an interesting insight and take this research another step forward.

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APPENDIX A

Appendix A. Interview guide for semi-structured interviews

Topic	Questions
About the individual	• What is your name and where are you from? • What is your current (former) job title? • How are you involved in the apparel industry? • What sector of the apparel industry are you involved in? • Are their specific parts of the supply chain that you deal with in your position?
History of offshoring	• Does your employer (former employer) currently or previously offshore value chain activities? If so, when, and where has this taken place? • What types of value chain activities have been offshored? • What were the reasons for offshoring?
Involvement with reshoring and nearshoring	• What is your knowledge on reshoring and nearshoring? • What is your involvement with reshoring or nearshoring? • Has your current (former) employer moved any value chain activities closer to home? If so, where?
Drivers of location choice	• What were the reasons for your current or former employer moving valu4e chain activities closer to home? • What do you perceive to be the reasons for nearshoring and reshoring to be? • What parts of the supply chain did you feel were (not) well controlled when offshoring? • Was there pressure from domestic sources to bring jobs back? • How do you think the ESG goals of a company influence their location decisions? • Do you believe reshoring (nearshoring) to be value driven or a form of risk mitigation? Why? • From an industry perspective, what do you believe are the greatest drivers of location choice of value chain activities?
Relation between location choice and market strategy	• What is the market strategy of your (former) employer? • How do you think that market strategy influences the location decision of value chain activities?
Potential impacts of reshoring and nearshoring	• What impacts do you believe reshoring and nearshoring will have on the various stakeholders involved? • How much value do you perceive producing near home to be worth? • From your perspective, how does moving production closer to home impact the sustainability of the apparel industry?