LUMEN ET VIRTUS
ISSN: 2177-2789

AN APPLIED ANALYSIS OF FOOTWEAR AND APPAREL FIRMS IN EMERGING MARKETS

ANÁLISE APLICADA DE EMPRESAS DE CALÇADOS E VESTUÁRIO EM MERCADOS EMERGENTES

ANÁLISIS APLICADO DE LAS EMPRESAS DE CALZADO Y ROPA EN LOS MERCADOS EMERGENTES

https://doi.org/10.56238/levv15n41-116

Date of submission: 09/04/2024 **Date of publication:** 10/04/2024

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ABSTRACT

Footwear and apparel firms in emerging markets occupy a pivotal yet precarious position in global value chains. Leveraging advantages such as abundant labor and preferential trade agreements, companies in countries like Vietnam, Bangladesh, Brazil, and Turkey have become vital suppliers to major international brands. However, their long term competitiveness now hinges on moving beyond assembly toward higher value activities—design, branding, quick response production, and sustainable practices. Drawing on recent literature and sector data, this study analyzes the drivers and constraints of firm upgrading, highlighting the roles of supply chain integration, technological adoption, and institutional support. We find that lean manufacturing, digital tools, and proximity to consumer markets help firms shorten lead times and differentiate products, while weak intellectual property regimes, limited financing, and stringent compliance requirements often impede progress. Sustainability pressures further reshape strategic priorities: firms adopting circular economy principles and cleaner technologies secure reputational gains and access to premium segments but face significant upfront costs. Finally, export diversification emerges as a buffer against demand shocks such as those experienced during the COVID 19 pandemic. Policymakers can enhance sector resilience by facilitating access to finance, strengthening innovation ecosystems, and promoting ethical standards. Overall, successful upgrading in footwear and apparel not only boosts firm competitiveness but also supports inclusive industrialization in emerging economies.

Keywords: Footwear and apparel. Emerging markets. Global value chains. Industrial upgrading. Sustainability.

RESUMO

As empresas de calçados e vestuário nos mercados emergentes ocupam uma posição central, mas precária, nas cadeias de valor globais. Aproveitando vantagens como mão de obra abundante e acordos comerciais preferenciais, empresas em países como Vietnã, Bangladesh, Brasil e Turquia tornaram-se fornecedores vitais para grandes marcas

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internacionais. No entanto, sua competitividade a longo prazo depende agora de ir além da montagem e avançar para atividades de maior valor — design, branding, produção de resposta rápida e práticas sustentáveis. Com base na literatura recente e em dados do setor, este estudo analisa os fatores impulsionadores e as restrições da modernização das empresas, destacando os papéis da integração da cadeia de suprimentos, da adoção de tecnologia e do apoio institucional. Constatamos que a manufatura enxuta, as ferramentas digitais e a proximidade dos mercados consumidores ajudam as empresas a reduzir os prazos de entrega e diferenciar os produtos, enquanto regimes fracos de propriedade intelectual, financiamento limitado e requisitos de conformidade rigorosos muitas vezes impedem o progresso. As pressões de sustentabilidade remodelam ainda mais as prioridades estratégicas: as empresas que adotam princípios de economia circular e tecnologias mais limpas garantem ganhos de reputação e acesso a segmentos premium, mas enfrentam custos iniciais significativos. Por fim, a diversificação das exportações surge como um amortecedor contra choques de demanda, como os vividos durante a pandemia da COVID-19. Os formuladores de políticas podem aumentar a resiliência do setor facilitando o acesso ao financiamento, fortalecendo os ecossistemas de inovação e promovendo padrões éticos. No geral, a modernização bem-sucedida no setor de calçados e vestuário não apenas aumenta a competitividade das empresas, mas também apoia a industrialização inclusiva nas economias emergentes.

Palavras-chave: Calçados e vestuário. Mercados emergentes. Cadeias de valor globais. Modernização industrial. Sustentabilidade.

RESUMEN

Las empresas de calzado y confección de los mercados emergentes ocupan una posición fundamental, aunque precaria, en las cadenas de valor mundiales. Aprovechando ventajas como la abundancia de mano de obra y los acuerdos comerciales preferenciales, empresas de países como Vietnam, Bangladesh, Brasil y Turquía se han convertido en proveedores esenciales de las principales marcas internacionales. Sin embargo, su competitividad a largo plazo depende ahora de que vayan más allá del montaje y se orienten hacia actividades de mayor valor añadido, como el diseño, la creación de marcas, la producción de respuesta rápida y las prácticas sostenibles. Basándose en la bibliografía reciente y en los datos del sector, este estudio analiza los factores impulsores y las limitaciones de la mejora de las empresas, destacando el papel de la integración de la cadena de suministro, la adopción de tecnología y el apoyo institucional. Constatamos que la fabricación ajustada, las herramientas digitales y la proximidad a los mercados de consumo ayudan a las empresas a acortar los plazos de entrega y a diferenciar los productos, mientras que la debilidad de los regímenes de propiedad intelectual, la financiación limitada y los estrictos requisitos de cumplimiento suelen obstaculizar el progreso. Las presiones en materia de sostenibilidad redefinen aún más las prioridades estratégicas: las empresas que adoptan los principios de la economía circular y tecnologías más limpias se aseguran una mejora de su reputación y el acceso a segmentos premium, pero se enfrentan a importantes costes iniciales. Por último, la diversificación de las exportaciones se perfila como un amortiguador frente a las crisis de demanda, como las experimentadas durante la pandemia de COVID-19. Los responsables políticos pueden mejorar la resiliencia del sector facilitando el acceso a la financiación, reforzando los ecosistemas de innovación y promoviendo normas éticas. En general, la mejora exitosa del calzado y la confección no solo impulsa la competitividad de las empresas, sino que también apoya la industrialización inclusiva en las economías emergentes.

Palabras clave: Calzado y confección. Mercados emergentes. Cadenas de valor globales. Mejora industrial. Sostenibilidad.

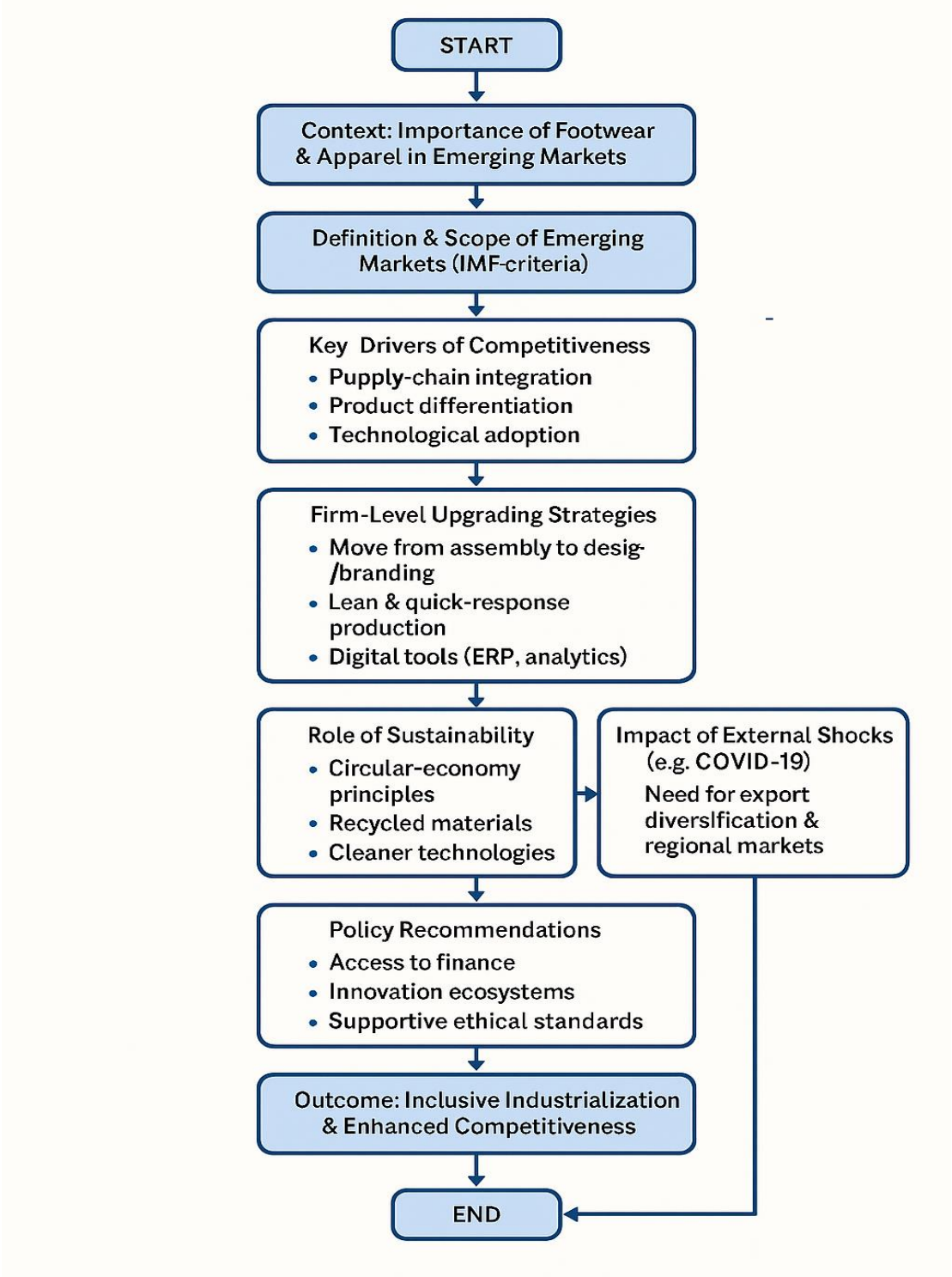
INTRODUCTION

The footwear and apparel industries are critical to the economic development of many emerging markets, offering employment, fostering export-led growth, and contributing to industrial diversification. These sectors often serve as entry points for industrialization due to their relatively low capital intensity and high labor absorption. However, firms in these industries also face considerable challenges, including intense global competition, volatile demand patterns, and increasing pressure for sustainability and innovation.

Emerging markets, defined by the International Monetary Fund (IMF) as economies that are transitioning toward more advanced industrial activity and increased integration into the global economy, have experienced a surge in manufacturing activities over recent decades (IMF, 2023). Countries such as Vietnam, Bangladesh, and Brazil have become hubs for footwear and apparel production, leveraging low labor costs and preferential trade agreements. Nevertheless, success in these sectors depends on more than cost advantages. Firm-level competitiveness increasingly hinges on supply chain integration, product differentiation, and strategic use of technology (Gereffi & Frederick, 2010).

The diagram illustrates how footwear and apparel drive growth in emerging markets through jobs, exports, and industrial diversification. It defines “emerging markets” using IMF criteria and highlights three competitiveness drivers: supply-chain integration, product differentiation, and technology adoption. It outlines firm-level strategies like moving into design, agile production, and digital tools. Sustainability is emphasized as key to market access and brand value. External shocks, such as COVID-19, underscore the need for regional diversification. Finally, it proposes policy support—finance, innovation, and ethical standards—to enable inclusive and competitive industrialization.

Figure 1. Analytical Framework for Upgrading Footwear and Apparel Firms in Emerging Markets.



Source: Created by author.

In footwear and apparel firms, global value chain (GVC) dynamics play a decisive role. As noted by Bair and Gereffi (2001), firms in emerging markets typically occupy lower-value segments of the GVC, engaging mainly in assembly and basic manufacturing. The challenge for these firms is to “upgrade” by moving into higher-value activities such as design, branding, and marketing. This process of upgrading is influenced by firm capabilities, institutional support, and the governance structures of GVCs. For instance,

supplier firms in countries like Turkey and Mexico have benefited from proximity to major consumer markets (the EU and the U.S., respectively), allowing them to implement flexible production systems and quick-response models that enhance competitiveness (Frederick & Gereffi, 2009).

Moreover, firms in emerging economies are increasingly adopting lean manufacturing, just-in-time inventory systems, and digital tools to optimize production and reduce lead times. These practices are crucial in a context where fashion cycles are becoming shorter and consumers demand more customization. According to Tokatli (2008), fast fashion retailers such as Zara have transformed expectations in the apparel industry by introducing rapid product turnover and vertical integration. In response, many emerging market firms have sought to replicate aspects of this model by investing in information systems and strengthening local supplier networks.

Nevertheless, institutional constraints in emerging markets can hinder innovation and growth. Weak intellectual property protections, bureaucratic inefficiencies, and limited access to financing can restrict firms' ability to expand or invest in upgrading initiatives (UNIDO, 2021). In particular, small and medium-sized enterprises (SMEs) often struggle to access international markets due to compliance costs associated with labor, safety, and environmental standards. This is particularly true in the apparel sector, which is highly scrutinized for ethical production practices (Barrientos, Gereffi & Rossi, 2011). To address these issues, some governments and industry associations have developed capacity-building programs, export promotion strategies, and technology parks that support firm development and integration into GVCs.

Sustainability has also become a pivotal consideration for footwear and apparel firms. As consumer awareness about environmental and labor issues grows, firms are compelled to adopt more transparent and ethical practices. Emerging market companies are responding by introducing circular economy principles, using recycled materials, and investing in cleaner production technologies. For example, studies on Brazilian footwear firms show increasing commitment to eco-design and certification programs aimed at enhancing sustainability credentials (Silva et al., 2019). While such initiatives can be costly, they offer long-term advantages in terms of brand reputation and access to premium market segments.

Export orientation remains a primary growth strategy for firms in emerging markets, but diversification of markets is increasingly important. Heavy reliance on a few export destinations exposes firms to geopolitical and trade policy risks. The COVID-19 pandemic, for example, disrupted supply chains and reduced global demand, highlighting the

vulnerability of over-specialized export models (Fernandes, Kee & Winkler, 2020). As a result, firms are seeking to strengthen domestic and regional markets as buffers against global shocks.

In conclusion, footwear and apparel firms in emerging markets operate in a complex environment characterized by both opportunity and constraint. Their ability to thrive depends on navigating GVCs strategically, investing in innovation, complying with evolving standards, and embracing sustainable practices. Policymakers can play a crucial role by fostering an enabling environment that includes infrastructure development, access to finance, and support for technological upgrading. Continued academic inquiry and evidence-based policymaking are essential to support the sustainable growth of these industries in the developing world.

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