DECLARATION OF AUTHORSHIP

I hereby certify that this research report I am submitting is entirely my own original work except where otherwise indicated any use of the works of any other author, in any form, properly acknowledged at their point of use.
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INTRODUCTION
1.1 Introduction

Rationale
One question I have always asked myself: Is production overseas really cheaper than producing in the Netherlands and why are there so little production companies in Holland? The urge to get an answer to this question increased during my internship at Super Trash. After working as a production Manager for 7 months it became very clear how inefficient the product development processes are of outsourced companies abroad compared to that of the Netherlands. It is known that the cost of production locally is higher than that of foreign countries, which might be four times cheaper in some cases. But what is mostly not mentioned is that the whole process from design to production is much less efficient. This has to do with problems such as: loss of production due to miscommunication, quality, lead time, capacity, transportation cost, flexibility and travel/time zone. Obviously the local labor costs are a great disadvantage compared to other countries but it makes up for that in costs for transportation, communication, flexibility and fast delivery times.

After experiencing both production processes, the problem I see is that local brands are not aware of the savings in time, money and effort they can achieve by producing locally whilst creating added value to the label and contributing to a sustainable supply chain. Therefore the fashion brands might choose to produce overseas leaving behind a great opportunity for local companies to show their worth and contribute to growth of the Industry.

Relevance
During the industrial revolution the production industry in Europe and Holland was very competitive and therefore booming. A lot of economic and demographic influences has changed the industry and shifted production to various places around the world. These developments have drifted production far away from its home countries. If the benefits of producing in the Netherlands were to be clear and it appealed to local fashion brands it could potentially create a higher demand for production in the Netherlands. Therefore it is relevant for both fashion brands and the Dutch manufacturing industry to conduct this research.

Aim
By creating these insights and awareness it helps the sourcing process of fashion brands in the Netherlands by giving them a guide to make a founded decision and at the same time create a platform for production companies to showcase their abilities. Therefore making this the aim of this research. The end product will be document that will serve two purposes, it gives the production companies the opportunity to show their abilities in a decision-making chart whilst the chart can be used by the fashion brands to help in their decision making process. It can be a display for the production companies to promote themselves as it can serve as a marketing tool where the fashion brands can get a good overview of the whole Dutch production market.
1.2 Research Question
To what extend does producing in the Netherlands improve the product development process of Dutch fashion brands and for what kind of fashion brands could it be an added value?

Sub-Question
1. What developments and trends can have a (positive) impact on the Dutch garment production industry?

2. What are the benefits of producing locally and what type of brands are producing locally?

3. What is the current state of the Dutch garment production industry?

1.3 Methodology
To get the needed information for these sub-questions the following methodologies has been chosen and described per research question. The goal of the research methods is to acquire knowledge and to find facts. The primary sources help to confirm problems and to formulate solutions to the problem.

Sub-question 1: This question will be answered with secondary data. The sources used to this answer this question are articles online, and publications by researchers and previous research on this topic.

Sub-question 2: Will be answered with both primary and secondary data. For primary data Interviews will be held with Dutch fashion brands that produce locally, to get insight to the benefits of producing in The Netherlands.

Sub-question 3: The research will be conducted by interviews (primary data) held at the production manufacturers. Primary data will be gathered to determine the current state of the industry.

1.4 Limitation
This research will be only be conducted for Dutch Fashion Brands and Dutch garment production companies.
1.5 Structure

The main research question can be answered by the research done for the sub-questions. The build-up of the research facilitates the thinking process to form a founded conclusion and present a functional decision making guideline for brands who are looking for local production companies. The following guideline will structure the research report.

Chapter 2: will look into ongoing trends and developments in the fashion industry that could have positive effect on the Dutch garment production industry. Each trend and development will be analyzed and compared with ongoing initiatives in the Dutch fashion industry to see how effective they are.

Chapter 3: It will give an insight to the type of brands that produce in The Netherland and the main reasons why these brands choose to produce in The Netherlands. This is important because the conclusion of this part will have an effect on the main conclusion.

Chapter 4: It will describe of the current Dutch garment industry. It will contain data of the different segments and where these companies are located. It will also discuss issues related to product development and the production process like costs, lead-time, delivery, quality and capabilities.

The research report will be completed with the conclusion to the main research question in Chapter 5. In this chapter, it becomes clear what the USP’s of the Dutch garment production industry are and to what extend it improves the production process of the Dutch fashion brands. The conclusion will describe the end product which can be a marketing plan to create more awareness for the current production facilities.
2.1 Trends and Developments

What developments and trends can have a (positive) impact on the Dutch garment production industry?

Under the influence of globalization, mass production, ‘cheapest of the cheapest, and demographic changes, the Dutch apparel market is changing rapidly. Dutch consumers have become more fashion conscious and seeking out the local, and thereby the authentic and the eco-friendly produced garments. (Source: CBI 2015)

2.1 Eco & Ethics

As stated above consumers and fashion brands are now aware and forced to act upon the fact that uncontrolled production and consumption comes with lot of air pollution and at a massive price of human, animal and the world in general. In this chapter we'll focus our attention on one sub-trend "locality" that is still emerging and as such can be a solution for most fashion brands.

Now that carbon footprinting has become a household term in the modern day consumer societies, expect consumers' desire to find out about the origins of a product to increase. Questions no one ever asked a few years ago has become an essential part of the purchasing process. How was the product made? Where is it made? By whom? How did it get to its point of sale? What effects on the environment will it have after purchasing? (source: Trendwatching).

After the worst disaster ever in the garment industry, the collapse of Rana Plaza on April 24, 2013, consumers are now faced with the fact that many cloths are made in unsafe factories with poor working conditions and are now also aware of the negative effects and consequences of the fashion industry have on people and the environment. This growing awareness will set oversease production against local production. Most importantly, producing close to home implies less air contamination as a result of less transport and in western and controlled nations, the odds of poor working conditions and child labour is smaller.
“The closer to designers
You are, the quicker you
Can get product into stores.”
-Elizabeth Cline

2.2 Manufacturing Closer To Home

Producing nearer to home has numerous advantages for brands. As supply chains of fashion brands are becoming more and more complex, so too are related dangers that comes with it. From a moral perspective, producing in remote conurries makes it more difficult for fashion brands to successfully screen the working conditions of their suppliers. As a result of these complex supply chains fashion brands are forced to look for production locations outside Asia and more into Europe.

“There are a number of factors providing an incentive to look to Europe for production, such as minimum-wage increases in Asia, political instability and commercial instability in response to major safety incidences like the collapse of Rana Plaza,” says Hannah Smith, media and outreach manager for the UK-based NGO Labor Behind the Label. (source: theguardian 2014)

This Europe-centric approach is called “proximity model”, it allows brands to frequently restock its stores and respond to a changing market compared to store managers constantly reporting back on what’s selling and what’s not (Source: theguardian 2014).

The ability to make changes during production on the items being produce and in what quantities so quickly gives brands an advantage over brands that work with longer lead time with Asian factories. The flexibility that comes with the proximity model is what modern day supply chain needs making this model increasingly desirable by fashion brands.

2.3 Slow Fashion vs. Fast Fashion

In this context, the arrival of slow fashion is not unexpected. This movement is led by emerging designers and brands that promote the values of superior quality over speedy production, durability and a commitment to ethical working practices (Source:britanniapackaging 2015).

Slow fashion is deposited thereby against fast fashion and over consumption. The characteristics of fast fashion are cheap, lower quality, volume, speed, exploitation, short-lived and is produced under poor working conditions. The slow fashion trend has become more prominent through the stimulation of other social trends such as reducing consumption, socially responsible and sustainable business and thereby encouraging brands to incorporate these attributes and values of slow fashion in to their supply chain.
2.8 Conclusion
There are developments and trends that could have a positive effect on the Dutch garment production industry. Although these developments are seen on a very small scale it could mean a great opportunity for growth for the industry. The main driver behind these changes are developments in Technology, sustainability and trends like slow fashion and locality. Manufacturing closer to home is catching momentum and becoming visible through different initiatives. We have seen new and innovative initiatives as Denim City and Granny’s Finest that could grow the demand for local production. The slow fashion trend which comes forth through reducing consumption, socially responsibility and sustainable business can be answered with the benefits of local production. If Technological developments catches up and minimizes the need of high-intensive labor it could create a great opportunity for local garment production facilities to improve their competitive position. Let take closer look into the benefits of producing locally and what the Dutch garment production industry currently has to offer.
C3

BENEFITS OF PRODUCING LOCALLY
"Being close to our manufacturers allows Me to truly understand our production Process from beginning to end"
-Marielle Ejiama

With the growth of small fashion organization, business and entrepreneurs in the Netherlands, there is chance to bring some part garment production back to the Netherlands. From the buyer perspective, Holland made buys reinforce the Dutch economy. But, from the point of view of a brand, producing locally doesn’t just increase employment, it can boost productivity, bring down production costs and at the same time prevent waste.

3.2 Brand Profile
After a thorough field research it becomes clear what type brands produce in the Netherlands. These brand profiles consist of small to medium size companies with sustainability being a key aspect of their brand image. They sell Kids & Women clothes, mainly operate through online stores. This profile also consist of functional companies such as hospital, glass making factory etc. Here are 8 reasons why few Dutch fashion brands and facilities choose to produce their garments in the Netherlands:

Why
To give a clear explanation on why these companies choose to produce in own country each aspect will be explained separately. When asked why they choose the Netherland the answers were:

- The “Made In Holland” Name
- Communication/Lead time
- Low Minimums
- Flexibility
- Low Transport Cost
- Quality Control

3.3 The “Made In Holland” Name
This reason goes hand in hand with sustainable production. Being able to trust the manufacturing process and origins of a product is important to Dutch consumers. The exclusivity that comes with the” Made in Holland” name is also a reason why producing in the Netherland is very enticing. These brands all know the name comes with a price, but they believe the worth and ‘honesty’ behind the products are definitely worth their price.

3.4 Communication/Leadtime
By producing locally the communication and leadtime process becomes very easy and short. By having in-person /face to face conversations result in a better understanding of the specifics of the end product. Therefore eliminating excess sample runs, the need to travel to see supplier overseas.
3.5 Low Minimums
Order quantity minimums with Dutch manufacturers start at 100 pieces or less. This small order quantity helps brands minimize risk and allows additional growth. So for instance as the brand grows so does the orders. Through this method of working brands can produce in their pace and avoid the risk of holding a lot of inventory.

3.6 Flexibility
As stated in 2.2 flexibility during production is very crucial for fashion brands nowadays. According Draper’s Retail Report 2014, the fashion industry is blighted by oversupply. Some 60 percent of the garments supply are sold at discount, which means we are making too much of the wrong things. Producing in the Netherlands allows brands to be more responsive to actual customer buying behavior. Draper’s report explains that if a product isn’t selling well, a local factory can quickly react to adjust stock levels accordingly, while retailers may have to wait six weeks for shipments to arrive from Asia. Brands which produce locally therefore have a competitive advantage, as a result of this increased flexibility. And, at the end of the day, smaller runs of garments that sell at full-price are better than volume runs of garments that have to be sold at discount. (Source: Draper’s Retail Report 2014: )

3.7 Low Transport Cost
Another reason these brands produces in the Netherland is the low transport cost. Since the garments are being made close to own distribution centers most brands pay little for transportation. Most of the time shipping cost is not included in production cost since most brands drive to collect their products themselves.

3.8 Quality
One important reason for the companies to choose Dutch production is quality. The companies are more directly involved with the end product and therefore the quality is better manageable. Next to that the process is very swift and communication is easy because there is no language barrier.

3.9 Conclusion
The companies interviewed acknowledged the benefits as to why they choose to produce locally. Sourcing locally minimizes production interruption, keeps production lines running smoothly and efficiently. Fashion brand are realizing that they need to be in a closer proximity to customers to be more responsive to market changes, preferences, to innovate faster, minimize supply chain risk and improve quality and flexibility. Surely these benefits have to weigh against the lower production cost in other countries. But for small to medium sized brands with a max production of around a few thousand pieces a year it is definitely worth considering.
CURRENT STATE OF THE DUTCH PRODUCTION INDUSTRY
4.1 Scope of Research

What is currently happening in terms of clothing manufacturing in the Netherlands and where does this happen? In the context of this research we will focus on the current state of the production market in 2016. What companies are there and what are their capabilities. With the help of Modint, surveys and visiting these production companies, we have tried to put together a complete as possible list of the active clothing manufacturers in the Netherlands. All the companies were contacted in the form of face-to-face interviews, written and telephone questionnaires. The responses and willingness to provide information differed from each company.

In order to measure the potential of this industry, it is important to place the production companies in a global overview whereby several production factors will be mentioned. An attempt was made to determine the following information for each company:

- Where are they?
- What is the specialty?
- What is their capacity/capability?
- What is the Lead-time
- What is the Quality?
- What is the business structure?
- How many employees are employed?
- Other details.

4.2 Inventory

When we talk about a production company we are not taking in to consideration the smaller ateliers. We are now zooming in at the production companies that produce at least 12000 garments a year or have at least more than 3 employees.

After visiting multiple production facilities in The Netherlands and doing online research the first thing that becomes clear is that there are not a lot of companies. It’s not a very big market with less than 50 companies. If we look at the companies with a substantial production quantity (as most brands need) we can cut this amount down to under the 20 companies. As a bleak vision of the Dutch clothing industry appears, the current workforce now has an average age of 40 years or older. In addition to this finding or recruiting qualified staff is a problem for all the interviewed companies.

We also notice these companies are only interested in retaining their current customer base instead of focusing on customer acquisition. When asked what they do acquire new clients, they all basically said "very little" since they all think their website contain all the necessary information every potential client will need to get in contact with them. Although this obviously very strange since the demand and supply are very limited in this niche market. You should expect that these companies will be screaming for visibility so that fashion brands can find them.
Figure 2 Overview of Production companies in the Netherlands
(Source: own research)
4.4 Conclusion
The mentioned aspects within the production process of Figure 2 all happen in-house, this implies that all the above companies have their own factory. The overview gives a clear insight into the capabilities of the production companies in The Netherlands. Within the overview we can clearly identify three types of company profiles. For example, the first profile are companies that only make sample and small production, second are specialized in making and cutting pattern pieces and third profile are active embroidering companies.

Through the above overview and interviews held at these production companies it can be concluded that the awareness for this sector is minimal. The problem here is the lack of information in the right place. Private labels, brands, retailers and wholesalers often do not know where they could find these production facilities. This issue can hinder new customers and ultimately the Dutch production industry or even further decline of the industry. Therefore making awareness in the Dutch garment production sector a clear internal weakness.

In this chapter we tried to put together a complete list as possible of the active clothing manufacturers in The Netherlands. However, this research still have a long way go. The actual number of production companies will be more than stated above, since the smaller ateliers were not taken into consideration. The list of companies was handedly compiled by trade association Modint, previous interviews and own research.
CONCLUSION
The Dutch garment production industry is still a complicated topic but trends and developments have indicated that there are several opportunities for growth.

The inefficiencies and challenges of working with foreign production companies raised the question why Dutch brands cannot produce locally. If it will solve a lot of problems with miscommunication, lead time, high transport costs and the high amount of management of the process, why are most brands still choosing to produce overseas. These questions form the basis of this research.

To get an answer to these questions multiple aspects needed to be researched. The research started by looking at the current state of the Dutch garment production industry. These insights gave direction on where the main problem of the industry lies. Through interviews the current challenges of the industry became clear. With this new understanding research is conducted to find out if any possible trend of development could mean a possible solution to the industry’s challenges.

When asked what the main reason was for a brand to choose overseas production, the answer was on one hand logical but unexpected. Of course one may think it must be purely costs but it appears that availability or simply the invisibility of Dutch garment facilities is a very important component as well. Most brands have extensive knowledge of the capabilities of overseas facilities, due to previous experience or availability of information. The Dutch facilities on the other hand, were difficult to find or information on capabilities was missing or not clear. Although costs is obviously also a decision making factor, the foreign facilities offer more in terms of capabilities or capacity. But if the information on local production seems to be difficult to find, how do they know what is or is not possible? Through interviews at production facilities an inventory has been set up. The chart that can be found in figure 2 gives a list as complete as possible of the active clothing manufacturers in the Netherlands, together with their characteristics. It shows that the industry is indeed not very big in numbers and is facing a true lack of demand therefore being reluctant with investments in things like innovative technology.

What could be a solution for these Production facilities? Why is this industry not enjoying the same growth and innovative steps that most Dutch fashion brands are known for? When we look closer at the fashion industry, the Netherlands is bringing forth more popular brands than ever before, for example G-star, Super trash, Scotch & Soda and McGregor. To make a good estimate of the future of the industry we had to take a deeper look at the trends and expected developments taking place.

By doing online research very interesting developments, trends and initiatives were found that could become a possible starting point of the growth of the garment industry. The different developments and trend are described in this research report. Through this research we can conclude that the current garment industry in The Netherlands has to jump on to the new trends or developments if it wants to change from the reserved strategies maintained today. We can see that their current competitors are having advantages by using big scales, but the trend of “manufacturing close to home” can increase the local demand. This trend, which comes forth through the increased consciousness and involvement of consumers in sustainability, is just one of the many changes going on in the
industry today and will continue to increase. The many benefits that local production brings in terms of better communication, shorter lead times, transparency, and lower transport costs should be well promoted by the local production companies. Information on their capabilities and characteristics should be well available and easily accessible for the brands who are looking for a local suppliers.

So to what extend does producing locally improve the efficiency and effectiveness of the production process? To a very far extend. Can the bigger brands profit from this right away, unfortunately not. The scale of the current facilitates is too small to facilitate the complete need of a bigger brand. Is it a great opportunity for mid-sized and small brands? Most definitely. Mid-sized and smaller brand can benefit from the current trends and developments by choosing to produce locally.

What must happen to get these companies producing in NL? Awareness and online visibility. The local companies need a communication plan to reach their potential buyers. Through awareness and online visibility the Dutch garment production companies can be put them back on the map by promoting their many benefits. It could mean a new starting point for the Dutch garment industry to create a new momentum. In the long run investments need to be done to enhance capabilities to be able to fulfill the need of the many bigger Dutch fashion brands. The great entrepreneurial society in the Netherlands is growing again as the Economy seems on the rise. This is the right time for Production companies to scream for their well-deserved attention.
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