How Different Parts of the Supply Chain Act in Fashion Industry in Iran

Master’s thesis in Applied Textile Management
The Swedish School of Textiles, University College of Borås

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Abstract

In the current global trade, the supply chain management is very important, because in fact the supply chains are the new rivals which are competing to take over the market. The traditional business concept in Iranian clothing industry is the reason to why it didn’t find its proper position in the domestic markets and the international clothing trade.

Manufacturing and retailing in Iran are on different sides of the same coin and could make value for who knows to use it. It is the small firms that play the most crucial role in Iranian clothing manufacturing segment. A big part of the manufacturing capacity is unfilled by orders because of indiscriminate importing of the smuggled goods which are characterized by a low price and poor quality. In fact, Iranian clothing market suffers from “trust” to the products.

Nowadays, traditional wholesalers, which are named “Bonakdar” inside of Iran, drive the Iranian clothing industry in the absence of a powerful retailing segment. They are responsible to buy products from different manufacturers usually without any order in advance, assort different kinds of products and price goods to sell them to the independent shops in the retail segment.

The apparel retail segment in Iran consists of many independent small shops besides a few retail branch companies. Appropriate responding to consumer’s demand, which is considered as the main goal of the value chain, is absent in this segment. In fact, there is no research and design department to investigate and respond the Iranian fashion trends.

Both the international clothing retailers and Iranian clothing segment have a proper opportunity to gain advantages. The international firms have the ability to rearrange the shape of the distribution centers by presenting high quality products in an affordable price. Collaboration between Iranian manufacturing and retailing segments in the global supply chains of international firms could solve this problem in a sustainable way.

Keywords: Supply chain, Supply chain management, Iran, Iranian clothing industry, Sustainability.
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**Introduction**

Today, the world is as big as a village so that the smell of neighbor’s bread can spread everywhere. Nevertheless, our small world is more complicated than the past.

Globalization is a main concept to understand the different aspects of the new life. In the field of market, it is covering services to finance, commerce and industry (Robertson, 1990).

The term of “globalization”, in a way, implies to restructuring of the economy of the world. After universalizing of “globalization”, the governments went under pressure to open their barriers for free movement of capital, goods and services. Progression of technology, particularly informatics, had a main role in configuring of modern world-system (Wallerstein, 2004). New professionals are needed to respond to different features of a new globalized economic space which break down the barriers of national markets (Robertson, 1990).

Today, different tasks in companies, such as procurement, research and development, manufacturing, distribution, marketing, sales etc. are operated under a global integration vision. New technologies and business models provide this opportunity for the globally integrated enterprises to gather these different components again and present the final products or services to customers (Palmisano, 2006). A global collaboration is needed between the different parties in order to respond to the consumer’s needs. In that way it’s possible to share their advantages.

The textile and clothing industries play a vital role in the world trade and in the economic growth of the world during the years. Also tens of millions of people are employed in textile and clothing industries all over the world. Based on the world trade organization report (WTO, 2010) the average share of textiles in trade in total merchandise and in manufactures in the world were 1.7% and 2.5% respectively in 2009.

The values of textiles and clothing manufactures in the world merchandise exports were 211 and 316 billion dollars in 2009 so that the shares of them in total exports were 1.7% and 2.6%, respectively (WTO, 2010).
Table 1 and 2 illustrate the share of textiles and clothing in trade in total merchandise in manufactures by region in 2009 (WTO, 2010).

Table 1. Share of textiles in trade in total merchandise and in manufactures by region, 2009

(Percentage)

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<th>Region</th>
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*Note: Import shares are derived from the Secretariat's network of world merchandise trade by product and region.*

In 1982, “supply chain management” was born as a new term for the first time in the literatures. Cooper et al. (1997) referred to the definition of supply chain management as used by the international center for competitive excellence:

“*Supply chain management is the integration of key business processes from end user through original suppliers that provides product, services and information that add value for customers.*”
Table 2. Share of clothing in trade in total merchandise and in manufactures by region, 2009

(Percentage)

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<th>Region</th>
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<td><strong>Share in manufactures</strong></td>
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Note: Import shares are derived from the Secretariat's network of world merchandise trade by product and region.

Supply chain management is a new way of business which recently is considered often in corporate strategies. The global supply chain with both positive and negative consequences is an inseparable part of world trade. Different industries have their own approach to supply chain and connect involved sectors in the value chain in a network relationship (Skjøtt-Larsen et al., 2007).

This paper considers to textile and clothing industry in Iran, as an important industrial part, that didn’t reach to its appropriate position despite of extensive opportunities to develop. Traditional economic relations, low productivity, cumbersome rules, lack of appropriate comprehensive
management etc. are various reasons which are leading to poor position of textile and apparel industry of Iran in the region and in the world.

Iran is a country with more than 75 million peoples. A big portion of this population consists of young high-educated boys and girls that touch all aspects of the modern life. Under the superficial layer of society which government tries to shape in a unit form, there is another true dimension of Iranian life represented by a young generation with aesthetics interests and tendency to discover the modern world! So the fashion industry should responds appropriately to the demands of these consumers.

The fashion world has many actors that respond to different demand in different parts of the world. Global village provided new opportunities for people all over the world to benefit from each other’s advantages.

The purpose of this study is to answer the question, how can international textile companies apply advantages of the textile industry in Iran and vice versa. Manufacturing and retailing in Iran are on different sides of the same coin that could make value for who knows to use it.

This goal is reachable if we know how the supply and value chain is formed in the textile industry in Iran, particularly in the clothing part. A deep understanding of weaknesses in the supply chain and identification of ways out of the current status would make competitive advantages for clothing industry in Iran. It is assumed that Iran has a big market for fashion products. There is a wide production capacity in Iran and many parts of it are empty. Hence, a new order of thinking and acting could provide an important position in the textile industry for Iran in the world.

**Methodology**

The main idea of this research is based on the concept of supply chain management (SCM) and it tries to attach the international knowledge and experience to Iranian textile and apparel industry as a case with unknown capacity.
A big part of this study depends on collecting, classifying and analyzing of data and information. In addition to statistical analysis, contact with people involved in the textile industry in Iran is very important to provide a deep understanding of what is happening throughout this industry. Thus both qualitative and quantitative research is applied in the study.

Dawson (2002, p.14) defined the qualitative research as:

“Qualitative research explores attitudes, behavior and experiences through such methods as interviews or focus groups. It attempts to get an in-depth opinion from participants.”

Dawson (2002, p.15) also defined quantitative research as:

“Quantitative research generates statistics through the use of large-scale survey research, using methods such as questionnaires or structures interviews.”

In this study I have tried to apply the valid data gathered by quantitative methods through the second hand research and official reports together with qualitative methods that were obtained by interviews with experts and scholars. These discussions guide the research direction.

To start with, Dr. Sadeghi, one of the lecturers in Polytechnic university of Tehran, was interviewed, via e-mail and Skype video call. The structure of supply chain management in Iranian textile and clothing industry besides availability of information in this context was discussed.

An interview with Dr. Saharkhiz, one of the lecturers in clothing engineering department of Polytechnic University, also has been done via e-mail and Skype video call. It provided a deep understanding of advantages and disadvantages of Iranian clothing industry in a competitive market. He explained how different actors in Iranian clothing supply chain play their role, for instance how wholesalers drive the clothing market inside Iran.

Another way to understand what is happening in Iranian textile and apparel industry was to interview with the students from the textile management in Polytechnic university of Tehran, center of excellence of textile engineering faculty in Iran. These interviews have been done via e-
mail and concentrate on personal observations and experiments of interviewees from Iranian clothing market.

Besides the collected information through interviews, official reports, available information on websites, articles and books were other sources used to write this report.

**Delimitation**

Lack of a comprehensive database in Iranian textile industry made it hard to access valid information, figures and analysis. In some cases, the information was not updated and even different information was found about the same topic. This made it difficult to write the paper.

Undoubtedly, the modernization of supply chain management in Iranian textile and apparel industry needs the concern and supports of the government which today, pays more attention to the oil industry. The volume of researches in a non-petroleum industry as textile is extremely insufficient. This project is only an overview to what is happening in Iranian textile industry and its appropriate supply chain management. Still, a long way is remained to reach the appropriate position in the world textile trade which needs supporting by more related research.

**Theory**

Today, the customer demands are more fragmented that resulted in a wider variety of stock keeping units, various price ranges and less predictable demand patterns. The global competition pressure on companies to decrease their costs and outsourcing is increased by complicated distribution models besides the increasingly complexity of new technologies (Supply chain, 2011).

The importance of the global supply chain, as a popular and academic topic, is considered in political, economic and social dimensions of the world. Today, managing of supply chain is available by expansion of technology. Evolution of information system technology had a vital role in development of the supply chain management which affected mainly by global economic change in 1985-1995 (Cooper, 2006).
Supply chain

Supply chain is defined as a network of suppliers, manufactures, distributors, retailers and each participant in sale and delivering of goods and services. It is increasingly being complex as the technological advance and global competition close the companies beyond the borders. Different companies try to keep their quality of goods and services high and also hold down the costs by applying a global supply chain that is complex more than past by the recent main trends in business like sourcing from low cost countries, globalization, customization, outsourcing etc. (supply chain, 2011)

![Figure 1. The supply chain in the textile and clothing sector (Nordås, 2004)](image)

The right –product, place, time and price- are four traditional standards to evaluate the success of supply chain which is obtained by two key elements of supply chain management, coordination and collaboration (Supply chain, 2011). A supply chain involves whole the process of moving goods from the first tier suppliers, which provide raw materials, to the end consumers in the shops. Brewer and Speh (2000) defined the different actors involved in the supply chain:

“It includes a variety of firms, ranging from those that process raw material to those engaged in wholesaling and retailing. It also includes all types of organizations engaged in transportation, warehousing, information processing, and materials handling” (Brewer and Speh, 2000).
They also continued with the functions that are operated in a supply chain:

“sourcing, procurement, production scheduling, manufacturing, order processing, inventory management, warehousing, and customer service” (Brewer and Speh, 2000).

**History of the supply chain management**

The history of the academic discussions in the textiles supply chain management goes back to over thirty years ago. At the beginning, Cooper (1970) theorized a network flow for textile supply chain in 1970. A linear supply chain with a single owner in textile and apparel industries was expressed by Hudak and Bohnslav in 1976. These models for textile and apparel supply chain despite their advantages had a specific time. Cooper (2006) described how a linear supply chain based on the modernization of mechanical, chemical, electronic and information technology is assumed:

“It was assumed that textiles and apparel markets in developed countries would be supplied by large single-owner, multi-node, linear, supply chains with production and distribution processes highly optimized in their network flows for specific target market groups.”

Appearance of global economy in 1995 changes the structure of textile and apparel industry into a more “retail directed” structure as textile and apparel industry’s structure in USA during 1950s and 1960s. In fact, the Evolution of supply chain management technology in 1985-1995 which had an important impact to development of supply chain technology in the period of 1995-2005 was the continuation of the path that began in 1965-1985. There are different viewpoint and paradigm to supply chain management in these different periodic times (Cooper, 2006).

**Modern supply chain management**

Chopra and Meindle (Cooper, 2006) define the modern supply chain as:

“A supply chain consists of all parties involved, directly or indirectly, in fulfilling a customer request. The supply chain not only includes the manufacturers and suppliers, but also transporters, warehouses, retailers, and customers themselves. Within each
organization, such as a manufacturer, the supply chain includes all functions involved in receiving and filling a customer request. These functions include, but are not limited to new product development, marketing, operations, distribution, finance, and customer service.”

Today, managing of the modern supply chain is enabled by the technology which consists of four basic components. “Conceptual paradigm” which provides theoretic expansion of supply chain; “a knowledge base of best practices”; “a set of optimization tools” which employed in the planning and controlling of SCM and “an effective computer-based management information system” that is the most important component are the four basic components of technology in the modern supply chain process (Cooper, 2006).

The strategy of the modern supply chain management has some central elements: information, communication and management technologies which are known as supply chain enterprise systems. These elements are useful besides the well-defined strategy and clear expectation of what the technology can do for us. The total investment of companies in supply chain systems was more than 38 billion dollars in 2001 (Supply chain, 2011).

Brewer and Speh prepare the figure2 that shows the four perspective of the supply chain management performance framework. They explained that “the framework relates the goals of SCM to customer satisfaction, firm financial performance, and the ways in which firms continue to learn, innovative and grow” (Brewer and Speh, 2000).
Optimal supply chain

The global competition forces companies to reduce their costs through an efficient value chain. One of the solutions is direct procurement against working through different offices in many countries which enhanced the clearness of supply chain and reduce costs (SCM, 2007).

Based on the different distribution channels, there are 3 different methods which retailers use to supply their needs:

1- “Manufacturing their own products”: The retailers have their own factories to produce clothes.
2- “Sub-contracting”: The retailers are responsible for the design. The contracting manufacturers produce the ordered clothes.
3- “Finished product purchase”: The manufacturers are responsible of design and production. They sell their products directly to sellers or wholesalers (SCM, 2007).

Hau L. Lee believed that “great companies create supply chains that respond to sudden and unexpected changes” (Supply chain, 2011). The risk and potential for disruption hide behind
different events. Natural disaster, political instability, plant fires and so many other small things could stop the flow of goods and information in a supply chain (Supply chain, 2011).

Lee (2004) discussed about a “Triple-A” supply chains: agile, adaptable and aligned. He defined the agile supply chain as “respond quickly to sudden changes in supply or demand” which obtained by data sharing with partners, redesigning the process and products by collaboration with suppliers and customers; small inventory of inexpensive components of products to avoid probably delays; etc. An adaptable supply chain is defined as “adjust supply chain design to accommodate market changes” and is obtained by following the variation in countries economic; finding reliable suppliers; quality control of products and processes and take the appropriate supply chain for different products. Aligned supply chain is defined as “establish incentives for supply chain partners to improve performance of the entire chain.” Lee believed that it is obtained by “Provide all partners with equal access to forecasts, sales data and plans; clarify partners’ roles and responsibilities to avoid conflict; redefine partnership terms to share risks, costs and rewards for improving supply chain performance; align incentives so that players maximize overall chain performance while also maximizing their returns from the partnership” (Lee, 2004).

Fisher (1997) defined two different categories to answer the question: What is the right supply chain for your product? He said “The root cause of the problems plaguing many supply chains is a mismatch between the type of product and the type of supply chain” He added that products divided to functional or innovative goods. The first category includes the products that try to respond to basic needs of customers and have an expectable and stable demand. The life cycle of the functional products is long usually. Another category, innovative products, has higher profit margins. Because of the short life cycle, demands of these products are usually unpredictable. Fisher (1997) suggested that companies consider to the nature of the demands of their own products before devising the strategy of their supply chain. He believed that “functional products require an efficient process and innovative products a responsive process” (Fisher, 1997).

Retailers usually categorize two different kinds of suppliers. The first group is considered by a long lead time, lower cost with less flexibility. The second group of suppliers is characterized by a short lead time, higher cost and more flexibility. This segmentation help to plan a strategy in
accordance with the type of consumer’s demand, basic or fashion goods which determined by something like style variation, prediction, variety and changes, and production volume. Based on the each demand’s features, the retailers prefer to work with one of the main supplier’s groups, the first group for the basic goods and the second group for the fashion goods (Koprulu and Albayrakoglu, 2007).

![Supply chain structure](image)

Figure 3. Supply chain structure (Agrawal, et al., 2002)

One important thing in the supply strategy is considering *Push* and *Pull* logistic. The pull strategy is defined as “*clothing is ordered by retail stores to replenish garments or order new collections based on the individual demand of the store*” (SCM, 2007).

The push strategy is usually applied by vertical integrated companies that manage all the rings of supply chain. “*These companies usually push collections from the distribution center (or manufacturer) directly to the stores without an existing order.*” The type of fashion (e.g. basic or fast fashion) and the business model are key factors to select the supply strategy by companies (SCM, 2007).

Hence, there are different strategies to establish a suitable supply chain which should be fit to the product’s features.
Results and Discussion

This study is focused on the supply chain from production to distribution in the Iranian clothing industry. Thousands of small firms in textile and apparel industry are involved in the traditional production and distribution supply chain in Iran. A set of direct personalized process linked the different actors, first tier supplier to consumer, together.

The textile industry in Iran with all specific features is, in a way, almost like as Cooper (2006) described the textile and apparel industry after World War II. Independent mills produce yarn for producing fabric by other independent mills and they are provided for other independent mills to produce apparel, technical fabrics, etc. Moreover than short term relation between thousands of independent mills, also in some cases companies tend toward different backward, forward or balanced vertical integration.

Siamak Saharkhiz (2011) explained how different actors in Iranian fashion supply chain only have a limited relation with their direct suppliers and vendors. Therefore, there is no information flow through the whole supply chain which involves all sectors from first tier suppliers to end consumers.

One of the most important goals which follows by modern supply chain management is appropriate respondig to end consumer’s demands which is the missed link in the supply chain of Iranian textile and apparel industry. Unlike the retaile-driver supply chain in today’s fashion industry all over the world, traditional wholesalers play most important roles in the Iranian traditional supply chain. Nowadays, the information technology plays an important role to connect all the sectors in the supply network. It provides a share data base which enables actors to collabrate and coordinate in the best way. But still, in Iranian fashion industry, the necessity of an information system to change the current traditional business system is obviously seen.

Design

To provide a report about different sectors of fashion supply chain in Iran, before considering to the manufacturers, wholesalers and retailers, we have to look at a big gap in Iranian fashion Industry. Actually, the share of Iranian designers in the design part of the Iranian textile and
apparel industry is almost zero. Lack of attention to create and promote branding causes to the weakness of the design sectors.

Siamak Saharkhiz (2011) explained that approximately all of the medium and big manufacturers, with more than 30 workers, get their sketches from already made products imported from other countries like Turkey (Only some of the manufacturers provide their sketches from Europian countries). They usually use technical analysis to achieve needed information from imported samples for production plants. So the market of Iran usually presents the products in Turkey’s market with approximately 6 month delay. The small manufacturers, with less than 30 workers, usually provide their sketches by copying from the products which already are selling inside Iranian market.

Today, the consumer’s demands has most important role to shape whole the modern supply chain. Iranian consumers need more attention to their taste and willings in the clothes that they wear. The neglect of consumers preference and taste has a big share of variant problems in Iranian fashion industry.

There are many young high-educated designers inside Iran which don’t have the chance to show their abilities. However, the Iranian manufactures lose their competetive advantage because of the low price products imported from borders legally or illegally. More attention to Iranian designers abilities and also appropriate responding to the Iranian consumers demands could open the locking doors of apparel industry.

There are many different ethnic groups that live in different parts of Iran. They have their special culture, history, language and their special colorful historical clothes. It seems like consideration to local trends and combination with modern art could attract the taste of the young Iranian generation.

It is assuemd that promoting of branding and establish a network of designers inside Iran could be the appropriate ways out of the current situation.
The manufacturer

The countries with the highest population in the world are located in Asia. China, India, Bangladesh and Pakistan are some countries that are dependent on their textile products and a big part of labor forces are working in the textile industry in these areas. Similarly, Iran is a relatively high populated country with its 75 million populations.

The Iranian apparel industry consists of two different main types of manufacturers. The first one is the industrial units that are able to mass production and have official industrial license. Another category includes small industrial units without any license which are supervised by guilds (Maleki, 2008). Unfortunately, there is no updated statistics about the capacity of Iranian manufacturing units.

One of the largest sources of employment in Iran is the textile industry. Petroleum sector plays the most important role in Iranian industry because of its position in employment, economic and politic. The small and medium-sized firms are the largest part of Iranian textile industry. According to Iran statistical yearbook, in 1994, there were more than 40000 firms in the Iran’s textile industry. 96% of these were small firms with less than ten workers. Almost all these small firms have not connected closely, as subcontractors, with large scale enterprises and there is a weak interaction horizontally between them. Some of the large scale enterprises that had confiscated after the Islamic Revolution of Iran in 1979 are under control of National Iranian Industries Organization (Iwasaki, 1998).

The available statistics show that the number of workers in Iranian apparel industry is much lower in comparison with other sectors in the textile industry. But, it should be considered that the small units constitute a big share of Iranian apparel industry which were not registered anywhere.

According to other statistics, more than 9200 industrial units in the textile industry are working so that 300000 people are working directly in this sector (Ashiri, 2010). The women constitute a big share of textile industry workers. The second important part is the Iranian industry where 33.3% of the workers are women working there. The women who are working in textile & hand
crafts are 85.6% of women’s industrial labors. Also clothing sector includes 5.3% of women (Sheibani and Afshari, 2002).

Wage arrears are big problems in textile industry that affects a large number of textile workers. Low productivity is a main reason of unprofitability in textile sectors (ILO, 2009).

Before the revolution in Iran, in 1979, only 300 Iranian experts were working in 500 small and big factories. And the only valid high education center for textile was Polytechnic University of Tehran. Today, there are more than 14500 experts of textile and clothing in the country and there are 21 center of higher education in textile and clothing (Ashiri, 2010).

Investment in the textile industry in 2007 was 3.3 billion dollars which includes 7.4% of total investment in Iranian industry, while the output of this sector was more than 6 billion dollars (Ashiri, 2010).

Table3 illustrates the number of industrial units and staffs which are operating in Iranian apparel industries in 2006. Based on the statistics, approximately 21000 people are working in 1372 units which likely constitute only a part of all the active units.
Table 3. The number of industrial units, personnel and capacity in Iranian apparel industry in 2006 (Maleki, 2008)

<table>
<thead>
<tr>
<th>Product: Clothing</th>
<th>Province</th>
<th>Capacity (Number)</th>
<th>Units</th>
<th>Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Azarbajyan sharqi</td>
<td>13,251,321</td>
<td>307</td>
<td>3,683</td>
</tr>
<tr>
<td></td>
<td>Azarbajyan gharbi</td>
<td>32,013,400</td>
<td>103</td>
<td>1,346</td>
</tr>
<tr>
<td></td>
<td>Ardebil</td>
<td>1,557,428</td>
<td>18</td>
<td>203</td>
</tr>
<tr>
<td></td>
<td>Esfehan</td>
<td>1,745,680</td>
<td>41</td>
<td>1,515</td>
</tr>
<tr>
<td></td>
<td>Ilam</td>
<td>1,160,700</td>
<td>25</td>
<td>349</td>
</tr>
<tr>
<td></td>
<td>Boshehr</td>
<td>165,350</td>
<td>11</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>Tehran</td>
<td>16,682,694</td>
<td>231</td>
<td>3,679</td>
</tr>
<tr>
<td></td>
<td>Charmahal Bakhtiari</td>
<td>521,000</td>
<td>16</td>
<td>190</td>
</tr>
<tr>
<td></td>
<td>Khorasan razavi</td>
<td>4,503,014</td>
<td>35</td>
<td>1,177</td>
</tr>
<tr>
<td></td>
<td>Khorasan shomali</td>
<td>28,036</td>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Khorasan jonobi</td>
<td>255,170</td>
<td>1</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Khozestan</td>
<td>3,015,000</td>
<td>79</td>
<td>786</td>
</tr>
<tr>
<td></td>
<td>Zanjan</td>
<td>500,962</td>
<td>16</td>
<td>162</td>
</tr>
<tr>
<td></td>
<td>Semnan</td>
<td>1,401,625</td>
<td>24</td>
<td>240</td>
</tr>
<tr>
<td></td>
<td>Sistan o Balochestan</td>
<td>2,086,358</td>
<td>16</td>
<td>465</td>
</tr>
<tr>
<td></td>
<td>Fars</td>
<td>4,694,266</td>
<td>53</td>
<td>824</td>
</tr>
<tr>
<td></td>
<td>Ghazvin</td>
<td>5,538,337</td>
<td>16</td>
<td>274</td>
</tr>
<tr>
<td></td>
<td>Ghom</td>
<td>2,176,800</td>
<td>19</td>
<td>335</td>
</tr>
<tr>
<td></td>
<td>Kordestan</td>
<td>2,289,866</td>
<td>16</td>
<td>214</td>
</tr>
<tr>
<td></td>
<td>Kerman</td>
<td>1,814,330</td>
<td>37</td>
<td>651</td>
</tr>
<tr>
<td></td>
<td>Kermanshah</td>
<td>1,404,476</td>
<td>23</td>
<td>215</td>
</tr>
<tr>
<td></td>
<td>Kohgiloye</td>
<td>262,600</td>
<td>10</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td>Golestan</td>
<td>442,454</td>
<td>10</td>
<td>121</td>
</tr>
<tr>
<td></td>
<td>Gilan</td>
<td>5,183,540</td>
<td>63</td>
<td>1,422</td>
</tr>
<tr>
<td></td>
<td>Lorestan</td>
<td>1,666,366</td>
<td>67</td>
<td>753</td>
</tr>
<tr>
<td></td>
<td>Mazandaran</td>
<td>2,354,333</td>
<td>62</td>
<td>957</td>
</tr>
<tr>
<td></td>
<td>Markazi</td>
<td>1,129,704</td>
<td>9</td>
<td>186</td>
</tr>
<tr>
<td></td>
<td>Hormozgan</td>
<td>349,150</td>
<td>10</td>
<td>122</td>
</tr>
<tr>
<td></td>
<td>Hamedan</td>
<td>890,775</td>
<td>26</td>
<td>293</td>
</tr>
<tr>
<td></td>
<td>Yazd</td>
<td>1,935,100</td>
<td>26</td>
<td>602</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>111,019,835</strong></td>
<td><strong>1,372</strong></td>
<td><strong>20,985</strong></td>
</tr>
</tbody>
</table>
A survey among some of the manufacturing units shows that downswing and trafficking are the main reasons of staff reducing in Iranian textile industry during recent years. Also the main reasons for export reduction are the high cost of products and the lack of competitiveness in global markets (Bayati, 2010).

Among the research community, approximately 80% of annual sales of industrial units are as a credit, the average time of credit is 5 month. The liquidity shortage and inability of customers to pay by cash besides the unwritten market law are the most important reasons for this matter (Bayati, 2010).

A big part of capacity in clothing industrial units doesn’t work and also the number of labor forces is reducing in this sector. Attraction of foreign investment and prevent smuggling besides the implementing of supporting policy by government could revival the textile manufacturing sectors. The successful of manufacturing segment is directly related to success in retail segment. If the market attracts the consumers effectively, the manufacturing sector will boom.

**The wholesaler**

Wholesaler ,which is named “Bonakdar” inside of Iran, is responsible usually to supply the goods which are sold in small shops. The small and medium size firms, which consist a big share of clothes production capacity, produce their products and sell to Bonakdar which are responsible of product’s distribution. Weakness of the available distribution network for so many small firms creates dependency of them to a few wholsalers. Hence, the wholsalers pay the price of the procurement to small firms by long terms cheques.

The responsibility of wholsalers in Iran, Bonakdar, are similar to definiton of traditional wholesale dealers by Hedén and McAndrew (2006):

“The role of the traditonal wholesaler was to entirely on his own hand and without having taken orders in advance, buy, assort and price goods of various kind and origin. The wholsaler stocked the products in order to sell them further on to the retail segment.”
They believed that this type of working has less important today in international clothing trade. But actually they are still drivers of supply chain in Iranian clothing industry.

The trade agents and legal importers have a small share in Iranian fashion supply chain that their importance will be explained. A big share of goods which are selling in Iranian markets are smuggled goods which is represented by the usually low price products with a poor quality.

One suitable approach to share duties and responsibilities is licensing. In this way, both licensor and licensee, use from each other’s capacity and advantages. One side could provide a known trademarke, experiences, control and product development responsibility, while the other side uses from own production and distribution capacity (Hedén and McAndrew, 2006).

Licensees as a way to brand expansion in new markets should be consider in Iranian apparel industry. Saharkhiz (2011) explained how Turkish apparel industry stand in the back of international brands. Transfer of technology and experience beside foreign investment attraction could help the apparel industry to find its appropriate position. Pharmacetical and healthcare industries are very good examples of licensees success in Iranian markets.

It seems that Iranian apparel industry have to open the doors for product developing brand suppliers by simplification of terms and reinforcement of private sectors. The lack of marketing and inappropriate responding to consumer’s demands besides the huge amount of smuggled goods destroyed the trust between consumers. Entrance of well known branding to Iranian apparel market could return the consumer’s trust.

**The retailer**

In the retaile segment, there is a traditional business relationship between sellers and end consumers. There are so many independent small shops, as main actors in retail segment, which are supplied by wholesalers directly. Besides there are a few bigger independent shops which supply their products directly from manufacturers. In this case, usually, the shops sell only one type of products, e.g. long coats which women wear outside, because of the limited ability to control the flow of finance and products. Also there are a few retail branch companies which are
involved in the market by providing the high quality expensive products, but only a very small part of market is allocated to them.

As explained before, the products which are presented in Iranian clothing market are usually copied samples of Turkish and European markets. So the consumer’s demands, as the main concept of modern supply chain management, which create value for whole the supply chain are not considered at all.

Lack of brand awareness and vertically integration is obviously seen in the retail segment of Iranian clothing industry. The international textile companies which could handle the risk of investment in Iran, are faced with a wide market. The population of the country based on the information of Statistical Center of Iran is more than 75 million people. Approximately, 54 millions of people live in the cities and the rest live in the villages (SCI, 2011). The young generation constitute a big part of the country’s population. The age pyramid of Iran’s population in 2006 shows this matter clearly (PHCIS, 2011).

Figure 4. Country’s population age pyramid (per thousands people in 2006)
The wide market of clothing in Iran suffers from low quality products which destroyed the trust between sellers and buyers. So each concept which formulized the real demands of consumers and attract their trust could benefit so much from an untouched area. The trust is the missed link between retail segment and end consumers which is created during the whole frustrating supply chain.

The international firms have the ability to rearrange the shape of the distribution centers by presenting high quality products in an affordable price. One of the best sustainable ways, which should be run, is collaboration of Iranian manufacturing and retailing segments in the globally supply chain of the international firms. This subject will be further discussed in the coming parts.

There are so many small shops in Iran which are operating in a traditional selling systems. Voluntary multiple chain is another approach which is assumed could be a fitted way to the Iranian common retailing systems.

In this type of business, there is a central organization that manages different tasks of the individual chain members; like marketing, assortment and appearance of the individual shops. The uniformity of shops could help the consumers to feel safe against something like the price level variation and provide availability in shops and assortment. A bigger size of order by the chain shops and consequently a better business position in trade is as a result of this matter. In Iranian clothing industry which lack of branding is obvious there, voluntary multiple chain provides the possibility of building brands and working on the product development by members. Also different advantages of information technology could be applied by joining the individual shops to the shared information systems. Intersport and MQ are examples of voluntary multiple chains in the world (Hedén and McAndrew, 2006).

In conclusion, the retail segment needs to consider more to branding and presence of well known brands to return the trust to the market. It will be available with the high quality products in affordable price which will be provided by an efficient supply chain.
Supply chain management

Today, the supply chain management involves different activities in the global economy. Cooper (2006) stated four of these important components.

1. *Paradigm:* The connection between globally participants as a network to flow goods and services. The network tries to reduce costs and increase satisfaction of customers.

2. *Optimization tools:* Which focus on the optimization of supply chain parameters like flow of goods, transportation, delivering time and economic aspects

3. *Best practices:* Employing the practices which could optimize the flow of supply chain and ensure the capital return; like JIT, push or pull logistic, design, cross-docking, product developing and mass customization.

4. *Management information systems:* The information systems based on the technology, support the process of decision making to achieve the goals of supply chain management (Cooper, 2006).

Which one of these components is available in the textile and apparel industry in Iran to supports the modern supply chain management? Iranian clothing industry needs to a basic restructuring if it wants to enter in the global trade competition. The lack of a comprehensive data center to manage the supply chain and connects different parts in a chain with data sharing is quiet obvious. Decision making is separately based on the individual agenda and coordination among all supply chain activities is not seen.

If the current paradigm of the Iranian apparel supply chain is changed by activating the different actors in the globally supply chain, the next steps to implementing the modern supply chain management will be applicable.

Iran and International trade

Economy of Iran is in the transition towards privatization. There are many structural problems that need time to disappear. The political conflicts with international community besides the internal problems provide a high risk conditions that influence on the export trade. Textile industry has not been away from this crisis (ILO, 2009).
Statistics show that total apparel imports and exports in the world were 264.5 and 260.7 billion dollars in 2004, respectively. In this year, Iran’s share of garments import and export in the world were 0.007% and 0.05%. These data changed to 0.001% and 0.04%, respectively in 2005. The apparel industry in Iran has some advantages besides all the existed problems. Cheap and abundant labor forces in comparison with developed countries are an advantage. The availability of simple access to the markets of Europe, Middle East and central Asia provide is another competitive advantage.

On the other hand, the structure of the clothing industry has been changing constantly during the last 20 years. The manufacturing of clothes in Europe is affected by technological and economic changes, liberalization and above all increasing competition by entering of new international rivals from Asia and Mediterranean countries which creates cost pressures on the companies. The key element that can survive the retailers among high competition between international competitors is an efficient supply chain which creates competitive advantages (SCM, 2007).

The textile and apparel industry in EU includes about four percent of the total European manufacturing production with approximately 200 billion Euros turn over in 2005. The clothing’s share of this turnover was 42 percent. The figures shows increasing in sourcing of cloths from abroad so that the imports from 46.53 billion Euros in 2002 increased to 53.53 billion Euros in 2005 by 15 percent growth. On the other hand, the rate of exports decreased to 14.72 billion Euros with 0.6% reduction. The clothes are mostly imported from Asia and Mediterranean countries. The biggest supplier is china and the second one is turkey. The import rate of clothing in Netherland, Sweden and Denmark is very high, around 90%, in comparison with countries like Italy and Portugal that have strong manufacturing sector (SCM, 2007).

In Asia, China experiences a remarkable growth in the exports of textiles by increasing from 1.5 percent of share of trade in the world in 1963 to 28% in 1998. The share of Pakistan stays almost stable (Javed and Bhatti, 2000).

Among the countries which are active in international trade of clothing, Iran could not find the appropriate position because of thier traditional concept of business. Pakistan and Turkey are the neighbors of Iran which have developed their position in international business of apparel and
textile. In Pakistan, Iran’s eastern neighbor, textile plays an important role in the industrial sectors. 38% of labor forces in industrial and 60% of export earnings are belonged to the textile. Despite the development of textile sector in Pakistan, rate of the share in total world trade of textiles and clothing is lower in Pakistan, in comparison with regional competitors like china (Javed and Bhatti, 2000). Nevertheless, Pakistan could be a suitable research model for Iranian researchers to investigate about how the firms handle the risks in a high risk region and attract foreign investment.

Turkey is a country which is located in the west of Iran. There are many similarities which could make a pattern from Turkey to Iranian apparel industry. Turkish clothing industry includes a lot of medium sized companies besides some large scale firms which vertically integrated. Approximately 7500 textile manufacturers, which are concentrated in some cities like Istanbul, Izmir, Denizli, etc., are operating to produce goods for export from Turkey (Turkish textile industry, 2011).

Turkey has some different advantages which strength the competitive advantage for Turkish clothing products. The amount of raw material production is high in Turkey, the country stands in 7th place of the world richness in raw materials. Access to European market is another advantage which decreases the logistic time. Skilled workers and trade policies involve in strengthening the position of textile industry in Turkey. Also customs and trade agreements with European countries and many other countries make the business simple in Turkey (Turkish textile industry, 2011).

Today, in the global trade where the competition with some countries on the price is so hard, considering to technical products and high quality products is more important than the past. One of the important features which account an important advantage of Turkish textile industry is attention to quality, environment and technical products. The value of the Turkish textile products export increased five times during the 20 years ago from 1.1 million dollar in 1990 to 5.4 million dollars in 2009. 49 percent of textile products export to European countries. Design has an important role in development of textile industry in Turkey. Therefore, many companies created their own trademark and create value by investigated on young designer’s ideas and considering to product development (Turkish textile industry, 2011).
Iran has 4.1% share of the exports of textile products from Turkey in 2009. The table 4 shows the position of Iran in leading markets for textile export of Turkey (Turkish textile industry, 2011). Nevertheless, still Iran as a country with lower wage of workers in comparison with Turkey could not take its proper place in international clothing trade.

Table 4. Leading markets for textile exports of Turkey (Turkish textile industry, 2011)

<table>
<thead>
<tr>
<th>Country</th>
<th>2008 1000 $</th>
<th>Share in Total %</th>
<th>2009 1000 $</th>
<th>Share in Total %</th>
<th>08 / 07 Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Federation</td>
<td>804.943</td>
<td>21,1</td>
<td>805.147</td>
<td>15,0</td>
<td>0,03</td>
</tr>
<tr>
<td>Italy</td>
<td>619.893</td>
<td>9,3</td>
<td>519.888</td>
<td>9,7</td>
<td>-16,1</td>
</tr>
<tr>
<td>Germany</td>
<td>374.526</td>
<td>5,6</td>
<td>328.299</td>
<td>6,1</td>
<td>-12,3</td>
</tr>
<tr>
<td>Romania</td>
<td>317.594</td>
<td>4,8</td>
<td>247.579</td>
<td>4,6</td>
<td>-22,0</td>
</tr>
<tr>
<td>Poland</td>
<td>299.295</td>
<td>4,5</td>
<td>231.967</td>
<td>4,3</td>
<td>-22,5</td>
</tr>
<tr>
<td>Iran</td>
<td>214.340</td>
<td>3,2</td>
<td>222.694</td>
<td>4,1</td>
<td>3,9</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>270.416</td>
<td>4,1</td>
<td>203.937</td>
<td>3,8</td>
<td>-24,6</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>220.813</td>
<td>3,3</td>
<td>174.402</td>
<td>3,2</td>
<td>-21,0</td>
</tr>
<tr>
<td>Egypt</td>
<td>159.915</td>
<td>2,4</td>
<td>155.686</td>
<td>2,9</td>
<td>-2,6</td>
</tr>
<tr>
<td>USA</td>
<td>214.547</td>
<td>3,2</td>
<td>154.165</td>
<td>2,9</td>
<td>-28,1</td>
</tr>
<tr>
<td>10 Countries Total</td>
<td>3.496.283</td>
<td>52,7</td>
<td>3.043.765</td>
<td>56,6</td>
<td>-12,9</td>
</tr>
<tr>
<td>Other Markets</td>
<td>3.144.209</td>
<td>47,3</td>
<td>2.330.442</td>
<td>43,4</td>
<td>-25,9</td>
</tr>
<tr>
<td>Total Textile Exports</td>
<td>6.640.492</td>
<td>100,0</td>
<td>5.374.208</td>
<td>100,0</td>
<td>-19,1</td>
</tr>
</tbody>
</table>

Source: Undersecretariat of Foreign Trade / February 2010

Turkey is a suitable model for following the reforming program in Iranian apparel industry. Culture, economics and basic social similarities make from Turkey a good sample to go ahead in apparel industry. As explained before, the Turkish experiences like licensees and attention to quality and technical products could be applicable in Iranian textile industry, too.

Imports

The official statistics show that the average per capita imports of apparel was only 0.03 Kg per year during the 2001-2009. It shows the high rate of trafficking which the government could not
stop it by tariffs regulation policy. The appendix 1 shows the legal imports of textile products during 2001-2009 based on the weight (Kg) which illustrates the small amount of clothing imports in comparison with the other items (Veismoradi, 2010).

**Tariffs**

Trafficking is one of the most important issues that should be considered if a real solution for textile’s industry problem is intended to find. According to reports, the amount of trafficking in apparel and fabric consumed inside Iran is more than 50% (Ashiri, 2010). It seems that the high rate of clothing tariffs could not help to supporting domestic production and increased importing of smuggled goods. The figure 5 illustrates the average tariffs of textile goods during the last decade. The clothing tariffs has a higher rate than other types of textile products (Veismoradi, 2010)

![Average Tariffs 2001-2009](image)

*Figure 5. Average Tariffs (2001-2009) in Iran*

Based on the published information, Iran is among countries with a high rate of tariffs for importing goods all over the world, between 3 upper countries. Nevertheless, illegal imports of goods and country market saturation with these products, is one of the main problem of textile industry. Hence, only tariffs and limitation for import are not a suitable solution for protecting of domestic industries and exiting from current situation (Import, 2011).
Subsidies

Association of Iran textile industries has prepared a report about the effect of implementing targeted subsidy plan in Iran by the government. Currently, this program is running in the country. According to the report the share of subsidies in industry and transportation sectors are 16% and 42.7% respectively. Increasing of the price of energy carriers affected the average increase in direct production costs, raw material prices and transportation. In textile industry, only direct production costs will increase 24% base on the 50$ per barrel for crude oil (Subsidy, 2011). The important advantage of this plan’s implementing is considering to efficiency and productivity by firms which is ignored in Iranian textile industry before. Low energy prices before the targeted subsidy plan caused a huge amount of energy wasting which hopefully stop after the program running.

Conclusion

Fashion industry in Iran suffers from many different problems. Traditional business concept in different sectors of supply chain is clearly specified. Thus, the structure of business needs to change basically by government supports.

Success in textile industries is directly related to well-done retailing task where the importance of ultimate point of responding to consumers is appeared. Brand awareness is a driver for all supply chain actors (Cooper, 2006). Hence, the importance of considering to brand’s creation is another key element which should be applies in Iranian clothing industry.

There are different important items which should be considered in Iranian textile industry that are explained by Iranian textile and apparel experts (Maleki, 2008).

- Development of private sector and industrial clusters in apparel and textile industries
- Improvement of productivity in production units and increase efficiency in management and human resources and reduce costs.
- Continuous improvement of product quality and production process
- Promoting exports of textile products by government
- Create and promotion of branding
Also association of Iran textile industries has done a research among the members of this association about the advantages and disadvantages of Iranian textile industry and their problems. According to their results, the four main factors which account in the main problems of Iranian textile industry are liquidity shortage, market demand reduction, raw material supply problems and indiscriminate import of products (Bayati, 2010).

**Sustainable supply chain**

The importance of sustainability as a new approach is increasing day by day. There are different models which represent different ideas and focus more on one aspect of sustainability. The common feature of different views involves economic, social and environmental issues. The last suggestion in this report about the Iranian clothing supply chain will be theorized through the sustainability point of view.

As explained before, the manufacturing segment in Iranian clothing industry has a great potential to product’s export besides responding to domestic needs. This is available if the productivity and product’s quality are considered by manufacturers to create competitive advantages.

On the other hand, the retail segment needs to rearrange from independent small shops-drive to well-known branding-drive. It’s necessary because of the lack of the consumer’s trust to the quality and branding of the products which is amplified by widespread presence of smuggled goods and fake brands in the market. But what is the best way of partnership for Iranian textile actors in the international supply chain? What is the meaning of sustainable supply chain?

In the case of Iran, it means the cooperation of Iranian manufacturers in the clothing supply chain of the international firms to equip the Iranian apparel market.

On the on hand the apparel import is relatively non-economic in Iran, because the customs tariffs of different types of clothing are more than 100%. On the other hand, the smuggled goods could not represent the real consumer’s demands because of the poor quality. So the well-known
international retail branch companies can play the vital role in the Iranian clothing retail segment if consider to some important points.

If the Iranian widespread clothing market is assumed as the target of international clothing retailers, the domestic apparel manufacturers should take responsibility of market supplying by presenting appropriate quality products. It is not possible unless the manufacturers are supervised by well-known branding experts. This matter has many advantages. First, the custom tariffs aren’t paid and shipping costs will decrease significantly. Also the integrated companies provide their needs directly from manufacturers and earn the wholesale segment’s added value. On the other hand, the lead time will decrease considerably. Therefore, the cost of the final product will be decreased.

Second, from the viewpoint of environmental sustainability, environmental pollution resulted from transportation reduced dramatically. Proximity of the production plants and distribution centers make available transporting with less population. Also companies could control properly the environmental issues in their supplier’s plant.

One of the most important issues which should be considered is appropriate responding to the Iranian consumer’s tastes. Today, the fashion trends are unknown in the Iranian society. Iranian designers have no place in the garment industry. So until today, Iranian interests and trends are missed among the imported good’s designs.

Considering to Iranian social trends and deployment of Iranian designers made advantages from double sides. First, return “reality” to the Iranian market. It means that people wear garments which represent the tendency of the society. Second, from an economic point, the sale segment will be strengthened which affected all the supply chain parts.

Thus it could be concluded that the Iranian apparel industry requires the powerful presence of well-known retail branding which will regains the “trust” to the market. These international companies could be significantly profitable if the Iranian manufacturing and selling segments are joined in their international supply chain. This work considers to economic boosts, environmental issues and Iranian social tendency; also provide a significant added value for all the actors in the supply chain. Undoubtedly, an appropriate coordination and collaboration could
provide sustainable development for Iranian fashion industry if the treasure map of the Iranian market could be read properly.
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   [Accessed on April 23rd, 2011].

**Unpublished works**


## Appendix 1: Imports of textile products in terms of weight (Kg) per person

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<td>1,033,930,395</td>
<td>825,045,987</td>
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<td>25,228,978</td>
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<td>268,490,081</td>
<td>151,041,099</td>
<td>114,808,217</td>
<td>2,389,425</td>
<td>7,241,698</td>
<td>6,760,861</td>
<td>550,731,381</td>
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<td>124,691,615</td>
<td>105,957,009</td>
<td>1,658,721</td>
<td>5,680,579</td>
<td>5,598,352</td>
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<td>2006</td>
<td>275,062,907</td>
<td>123,522,788</td>
<td>86,229,055</td>
<td>1,382,908</td>
<td>2,388,650</td>
<td>4,525,516</td>
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<td>198,188,712</td>
<td>102,754,809</td>
<td>95,011,220</td>
<td>6,599,047</td>
<td>1,369,410</td>
<td>7,195,903</td>
<td>411,119,101</td>
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<td>108,485,883</td>
<td>90,871,114</td>
<td>1,645,025</td>
<td>723,661</td>
<td>2,746,252</td>
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<td>98,102,973</td>
<td>66,911,870</td>
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<td>335,675</td>
<td>2,491,730</td>
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<td>91,157,685</td>
<td>55,111,325</td>
<td>150,406</td>
<td>212,357</td>
<td>1,569,418</td>
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Average per capita: 4.38, 4.77, 5.65, 6.98, 8.16, 6.88, 7.47, 6.32