Challenges and Strategies for SMEs in the Apparel Industry: Navigating Technological and Sustainable Transformations

Junxi Li[a]
Faculty of Science and Technology, Beijing Normal University - Hong Kong Baptist University United International College, Zhuhai, 519000, China

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Abstract: In the rapidly evolving global apparel industry, small and medium-sized enterprises (SMEs) are facing unprecedented challenges. This study delves into the challenges and strategies faced by small and medium-sized enterprises in the global apparel industry amidst technological advancements and shifting market demands. Although SMEs play a crucial role in the global economy, especially in major apparel-producing countries like Bangladesh, India, and China, their size and resource limitations often hinder their ability to enhance production efficiency and market competitiveness. This study discusses the necessity for strategic development and significant investment to overcome transformation's high costs and technical complexities. It highlights the importance of government support, industry collaboration, and partnerships with technology providers to help SMEs navigate these challenges and thrive. Additionally, the study explores how SMEs can leverage digital transformation and sustainable practices to improve business efficiency and respond quickly to market pressures, thus maintaining competitiveness in a rapidly changing market environment.

1 INTRODUCTION

With a share of more than 90 percent of the total turnover, SMEs are ostensibly vital actors in these industries across the globe; they are also essential players in major apparel-producing countries like Bangladesh, India, and China. While locally serving businesses worldwide, forming cornerstones of local economies and links in global supply chains are vital; they need help with smallness due to size constraints (Katsaliaki et al., 2022). As a result, their ability to improve manufacturing efficiency and target the market could be improved by access to capital, adoption of automation, and use of state-of-the-art SCM tools. With consumers increasingly asking for superior bespoke products that are produced responsibly and sustainably, the challenge becomes even greater with SMEs being forced into more expensive or technically difficult transformations (Ahmadov et al., 2023; Martínez et al., 2023; Martínez et al., 2024). However, this requires strategic development and significant investments - a challenge still too great for many SMEs. Capital can be found through places such as microfinance and other sources of finance besides banks, venture capital and government financing programs; however, automation and advanced supply chain tools can bring great efficiency. SMEs also need to use flexible systems and digital tools to cater to product diversity and sustainability. These challenges need to be negotiated by the SMEs through strategic planning and incremental implementation with the collaboration of various stakeholders, including technology providers and industry associations. Government support in policy and infrastructure is also significant. Successfully overcoming these obstacles will allow SMEs to survive and prosper, enhancing innovation & sustainability within the apparel industry, thus securing their continuing importance in the global market.

2 CURRENT SITUATION

The struggling apparel business is fighting today because of a major black hole in global competition. For example, large corporations that have effectively

[a] https://orcid.org/0009-0002-5819-2271

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cornered the market to drive economies of scale can lower prices, offer better profit margins, and squeeze the space from SMEs. Fast fashion, epitomized by quick turn-around cycles and constant iteration, compounds these complications. Limited Assets-Slow to Adapt: This relatively low level of sophistication and agility amongst SMEs makes integrating POS devices with payment systems tedious. Based on a report put out by McKinsey, it is known that the volatility of the economy, the instability in geopolitics, and inflation are the top three worries of executives in the fashion industry. It states that 62% of them believe that geopolitical instability in 2024 is the single greatest threat to growth shortly ahead of us (McKinsey & Company, 2024).

One of the great problems is the large technological gap between SMEs and larger companies. Focusing on the SMEs, as they are the ones who still follow manual processes which lowers productivity and increases the cost of operation. SMEs need contemporary IT and management systems, such as complete ERP solutions, to manage inventory and resources. If digital technologies, particularly AI, are incorporated into these operations, productivity and efficiency can increase dramatically, argues the latest State of Fashion 2024 report. Yet many SMEs do not have the resources needed to implement them (McKinsey & Company, 2024). Using digital solutions to facilitate real-time communication with supply chain partners and cooperating effectively with them is vital to deal with supply chain disruptions (Tec Packer, 2024).

Increasing consumer pressure for personalized and sustainable goods compels SMEs to reconsider their production processes by incorporating environmentally friendly materials. This change usually comes with increased costs, often making it difficult for SMEs with limited financial resources. On top of all this, regulatory pressure to be more transparent and sustainable does not make anything easier. Consumers in Western Europe and North America demand higher levels of transparency and ethical behavior from brands, and McKinsey suggests that sustainability might be an important driver (McKinsey & Company, 2024). Greenwashing, in addition, remains a significant issue for big brands. Only 24% are found to make full disclosures for supplier information (Fashion in World, 2024).

Over the years, there has been a surge in online shopping, which has been brought on by digital transformation in the retail sector. Most SMEs cannot secure a significant portion of the online market because they need digital marketing skills and sufficient e-commerce infrastructure. Moving online also requires the right e-commerce platform, digital marketing strategies, customer engagement, and a proper logistics management system. Everybody is closely monitoring the fashion industry, pressuring stakeholders to digitally transform and gain digital capabilities as a market share determinant (Tec Packer 2024).

3 SOLUTION STRATEGY

3.1 Digital Transformation

The advance of smart manufacturing technologies has transformed the textile and apparel industry. Fully automatic sewing machines and artificial intelligence (AI) driven pattern design tools have improved production efficiency, halved human error rates, and dramatically accelerated manufacturing processes. This saves time, as lower-end sewing machines are always slower than their more expensive alternatives. Advanced machine construction and computerized control offer another benefit of investing in the best industrial sewing machine with its exact stitching line. This drives higher output and helps reduce material waste, aligning with larger sustainability efforts. AI-based pattern design tools work similarly - quickly iterating through multiple designs and testing new styles on different fabric types without a heavy dependency on manual input from designers (Deloitte, 2021). This technology also allows quicker, more responsive production - necessary in an industry with such rapid trends and diverse consumer demands.

Integrating with Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) systems further increases operations and customer interaction efficiency. This type of system, named ERP, regroups several other business processes into one single software like inventory management, procurement, or even order fulfillment available on a real-time basis that enables the cutdown and full visibility of what is happening in your organization (Oracle, 2022). Fewer hand-offs mean more streamlined processes, quicker lead times, and a good sense of resource management in making the correct products when they need to be made. Where is such a level of insight into customer preferences and buying behaviors in a CRM system? Businesses can use this information to segment their marketing strategies, customize customer interactions more effectively, and provide a better overall

experience (Salesforce 2023). For instance, CRM analytics might discover seasonal buying trends to allow companies to control inventory and tow in marking campaigns.

Additionally, integrating smart manufacturing and ERP/CRM systems provides a solid foundation for continued growth in continuous improvement and innovation. Organizations will be able to track measures around performance, bottleneck identification, and changing as necessary at a pace faster than the competition. This within-organization versus point-solution approach improves operational efficiency and promotes a data-driven and customer-centric cultural transformation.

3.2 E-Commerce Integration

More and more businesses see creating online platforms as a necessary step to connect directly with consumers. These platforms offer an easy shopping option for customers who have access to everything available online just by sitting at their homes and ordering a placement of orders. Online shopping provides customers with a convenient mode of purchase and offers businesses the exposure advantage to reach global markets that have differently diversified needs (Statista, 2023). In addition, e-commerce platforms provide businesses with invaluable consumer behavior and preferences data, which can then be exploited to inform marketing strategies and product offerings. By using this data-driven approach, companies can strive to optimize their product assortments, pricing strategies and promotional efforts quickly based on customer demand. Nowadays, digital marketing and social media are vital tools for brand development and customer interaction. With targeted advertising, influencer-primarily based partnerships and interactive content material, a brand can entice new leads that can also grow into unswerving customers. Fashion brands especially have been able to make the most of social media platforms, including Instagram, Facebook and TikTok, by posting visually appealing posts and stories showing off their products, engaging directly with customers through comments and direct messages as well as sending traffic out from these platforms back to their e-commerce sites (Forbes 2022). A good example is a social media campaign for a new product launch.

Furthermore, AR and VR connected with e-commerce online stores change the shopping experience from head to toe. Customers can use these technologies to try the product virtually, see how it looks in a different setting, and make more informed buying decisions. It increases user satisfaction and reduces return rates as customers have a more realistic expectation of what they are buying. Also, integrating chatbots and AI-powered customer support tools into e-commerce platforms gives shoppers an immediate service, thus boosting their online shopping experience. These tools are capable of handling various queries like product information, order status updates etc... thereby ensuring that customers get very prompt and accurate post-sales support. E-commerce platforms are working on integrating these technologies into their business models, driving home the increasing need for providing a good online shopping experience in today's digital epoch.

3.3 Sustainable Practices

The selection of sustainable and green materials along with processes has become more than just a trend; it is now a necessity for businesses to comply with consumer and regulatory standards. Organic cotton, recycled polyester, and biodegradable packaging materials help mitigate the environmental damage caused by production while aligning with increasing consumer expectations of sustainable products. Organic cotton farming, for example, uses 91% less water and doesn't use any harmful pesticides, which has a much lower environmental footprint (McKinsey & Company, 2023). Recycled polyester also reduces waste and the need for virgin materials. On top of that, energy-efficient manufacturing operations and lower water consumption help advance sustainability goals. For example, waterless dyeing and solar power factories require more upfront investment but lower operational costs in the long run as they are less impactful to the environment. Accountable and transparent sourcing advocates for vital transparency in the supply chain, consumer confidence, and regulatory adherence. Businesses demonstrating transparency by shedding light on where materials come from and how products are made can alleviate consumer concern for ethical practices. Also, blockchain solutions are starting to illuminate the way a product, from raw materials to finished products, and each stage provides complete transparency at every single level of the supply chain (Xu et al., 2021; Gligor et al., 2022). A level of transparency that enables answers to issues like child labor, unfair wages, and unsafe working conditions - problems The fashion industry has been well-known for years.

Moreover, sustainability initiatives typically range beyond production to include packaging and transportation. Biodegradable or reusable packaging

helps reduce waste and makes shoppers likelier to adopt green practices. In addition, by setting optimal routes for transportation and using ecological vehicles, the carbon footprint of product delivery can be dramatically reduced. Adhering to these practices, companies adhere to regulatory requirements and appeal to an expanding population of ESG-informed consumers. These strategies improve operational efficiency and customer satisfaction while responsibly positioning businesses to think ahead in a fiercely competitive market. Digital transformation, e-commerce integration, and sustainable practices will all contribute to a company's evolving success in an ever-changing market. Businesses that implement these strategies ahead of time will be more prepared for changes and opportunities as they emerge within this fluid battleground.

4 CONCLUSION

The degrees of modernization available to SMEs within the traditional apparel business are not just a choice but a need for existence in this fiercely competitive environment where everything is continually fast-changing. A well-planned digital transformation, strong e-commerce integration, and sustainability deliver numerous advantages that can make these companies more efficient, agile, and ultimately higher performing. Advanced technologies like AI-based pattern design tools and fully automated sewing machines can revolutionize production processes. In an industry with fast fashion and quickly changing styles, speed-to-market is essential.

Adopting sustainable practices satisfies the growing consumer appetite for ethically and environmentally friendly goods. Suppliers should ensure eco-friendly materials, transparent sourcing, and energy-efficient manufacturing processes. This minimizes the adverse effects on the environment and meets regulatory requirements and customer demand. Blockchain technology can provide the transparency needed to create consumer trust and drive ethical practices across the supply chain. Industry leaders, policymakers, and technology providers need to help SMEs upgrade through financial assistance urgently, access to innovative technologies, and digital literacy programs or technical skill development. Public-private partnerships can create an environment for innovation, sustainability, and competitiveness in apparel.

In the future, clothing technology is expected to remain in flux as rapidly advancing technologies and shifting customer tastes interact with stricter regulatory demands. Thanks to their proactive pivot towards digitization, SMEs will have more tools to adapt to these changes and contribute vitality to the global apparel market. The road to industrial modernization is long and hard, but the future applications of high-efficiency practices are immeasurable for small- and medium-sized enterprises in the traditional garment industry.

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