

Manpower Update Report

Fashion and Textile Industry

2022



ACKNOWLEDGEMENT

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Introduction

Background

The Fashion and Textile Training Board (FTTB) of the Vocational Training Council (VTC) is appointed by the Government of the HKSAR. According to its Terms of Reference, the FTTB is responsible for determining manpower demand of the industry, assessing whether the manpower supply matches manpower demand, and recommending to the VTC the development of vocational and professional education and training

(VPET) facilities to meet the assessed training needs.

A new approach for collecting manpower information is adopted to better reflect the dynamics of the manpower situation in the various industries.

Under the new approach, one full manpower survey is conducted every four years, and this is supplemented by

two manpower updates. The FTTB completed its latest manpower survey in 2019. Two manpower updates will be conducted in 2022 and 2023.

The 2022 manpower information update comprises:

(a) a focus group meeting getting the views of industries experts on the latest developments in the industries, manpower and training needs, recruitment difficulties, and measures to tackle the challenges the industries face; and

(b) desk research analysing job advertisements including qualifications, experience and skills required, and salaries offered by the principal jobs in the Fashion and Textile (FT) industry.

Objectives

The objectives of the manpower update are:

- (i) to examine the latest trends and developments of the industries;
- (ii) to explore the job market situation and training needs;
- (iii) to identify the recruitment challenges; and
- (iv) to recommend measures to meet the training needs and to ease the problem of manpower shortage.

Methodology

Overview

With reference to the 2019 full manpower survey of the FT industry, this update report aims to provide qualitative descriptions of the recent development of the industry through focus group meeting, supplemented by making reference to some quantitative data of recruitment advertisements from desk research.

Focus Group Meeting

The focus group members are representatives from the following sectors of the fashion and textile industry:

- (i) Textile/garment/related accessories company in manufacturing sector
- (ii) Import/ export of fabrics, cotton, textile fibre and yarn company in trading and servicing sector
- (iii) Import/ export of wearing apparel company in trading and servicing sector
- (iv) Fashion design sector
- (v) Fashion marketing professionals
- (vi) Online fashion shops
- (vii) Fashion chain stores

The focus group meeting was conducted on 9 November 2021. The staff of FTTB Secretariat as the moderator led members to in-depth discussion on topics selected by the Working Party on Manpower Survey of the FTTB. The

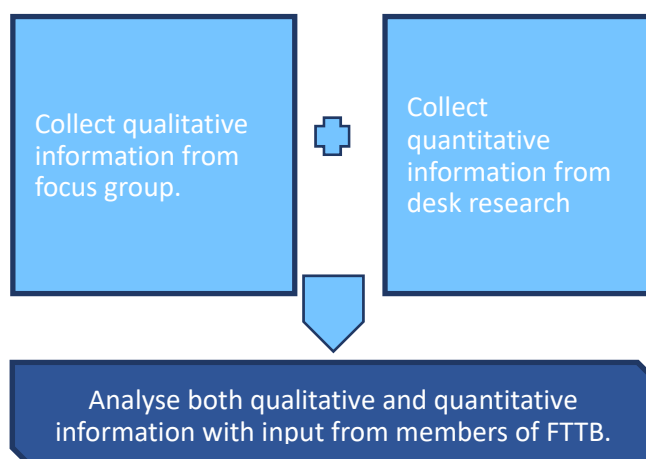
discussions at the meeting were recorded and transcribed to facilitate analysis.

Desk Research

Manpower information covering the period between Quarter 3 of 2020 and Quarter 2 of 2021 was collected through desk research. An employment information system was developed to capture the relevant recruitment data from major online recruitment portals. Some 3,255 recruitment records were collected during the research period and served as indicative information of the job market trend. The list of related companies under the Hong Kong Standard Industrial Classification was mapped to remove duplicated records.

Data Analysis

The analysis consists of the following three steps:



Limitations

As this is not a full manpower survey, the findings and recommendations of the focus group meeting are more qualitative in nature and the report focuses mainly on the manpower trends. The information of job advertisements was collected from major recruitment

websites and the Labour Department. Other channels, such as head hunting for managerial positions, were not covered. Since the data collected is a snapshot of a particular period without reference to any historical data, this can serve as reference information supplementary to the findings of focus group meeting.

Findings

Factors Affecting the Development of the Fashion and Textile Industry

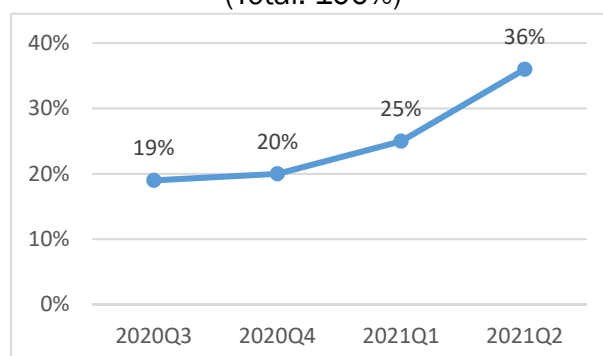
Global Business Environment

Global economic recovery under pandemic

As economic recovery around the globe took place since late 2020, international fashion trading has regained its growth momentum. Hong Kong clothing export fell 34% in 2020 due to the pandemic but demonstrated a 4% growth in the first nine months of 2021. The hint of recovery also matched with the desk research result that job ad increased almost double from 2020 Q3 to 2021 Q2, as shown in the following figure:

Figure 1
Percentage distribution of online job ads
from 2020 Q3 to 2021 Q2

(Total: 100%)



Supply chain stability and rise of production cost

In 2021, spiking cost of yarn and fabric, wage inflation, cost of pandemic prevention measure, rising fuel cost and transport logistics expenses compressed the profit margin of textile and apparel manufacturers. Supply chain stability is also another concern for the industry. While most well-established Hong Kong garment manufacturers have relocated factories to countries in Southeast Asia such as Vietnam, Cambodia and Bangladesh, the tenfold rise in sea freight cost and prolonged shipping time imposed great pressure on them during the pandemic. Some of them opted for more expensive air freight to fulfill order which further compressed profit margin. As for international fashion brands, the rise of logistics cost and uncertain delivery schedule drove some brands to strategically shift production out of Southeast Asia and bring it closer to its consumer market in order to gain better control on the production process and ensure a secure supply chain.

Evolving consumer demand under the pandemic

The pandemic has changed how people dress. Social distancing measures and work-from-home approach turned people's preferred work wear from business casual to comfortable loungewear. With heightened awareness on health and wellness, home workout and livestream exercise class became popular during lockdowns.

Stylish activewear brands gained strong growth despite the uncertain economic environment.

The trend of comfortable and casual clothing continued to be favoured by customers as evidenced by the growth momentum of athleisure brands sustained in the post-pandemic 2021.

The largest global e-commerce market

The fashion industry is the largest e-commerce sector. The global online market of apparel, accessories and footwear valued US\$759.5 billion in 2021 and it is expected to reach US\$1.002 trillion in 2025¹.

China will continue to contribute the most consumption in the online fashion market while individual US consumers will spend the most on average. The focus group reflected that there are Hong Kong manufacturers tapped into the online retail market offering high value-added products with their own brand and received positive responses. Such observation echoes the result of desk research that social media and e-commerce are the top two among six skills in job ads. The Original Brand Manufacture (OBM) firms especially have to look for technology talents on e-commerce, cybersecurity and digital marketing in order to stay competitive in the online retail market.

Sustainability and transparency demanded by consumers

Sustainability is increasingly gaining importance in the fashion market. While consumers become more concerned about the source of materials,

¹ A.O. (2022, January 2). 10 Trends Styling 2021's Ecommerce Fashion Industry: Growth + Data in Online Apparel & Accessories Market. Common Thread Collective. Retrieved January 17, 2022, from <https://commonthreadco.com/blogs/coachs-corner/fashion-ecommerce-industry-trends#fashion-ecommerce-trend-market>

the production process and the rights of garment workers, the industry invested further on sustainable materials that are renewably-sourced or bio-based to lower the impact to the environment during production.

Fashion brands collaborate with technology firms to improve transparency to consumers by leveraging digital product passports to share detailed information on the garment's carbon and water footprint in each manufacturing step as well as supporting after-use activities such as resell or recycle to promote the culture of responsible wearing. The concept of responsible purchasing embraced by mature market consumers will continue to demand fashion brands to improve traceability of its production journey and impact to the environment and people involved.

Local Business Environment

Recovery during the pandemic

Economic recovery continues and consumer sentiment has largely recovered as social-distancing rules eased and supportive policy like consumption voucher rolled out in 2nd half of 2021. Nevertheless, the consumer market of retail fashion remains vulnerable under the threat of pandemic resurgence caused by new variants.

GBA development

Comprise of 11 key cities — nine in Guangdong Province plus the Special Administrative Regions (SARs) of Hong Kong and Macao, the Greater Bay Area (GBA) is populated by 86 million people and generated a GDP of US\$1.67 trillion in 2020².

The growing economic performance and desire to pursue better personal image encourage GBA residents to spend more on quality apparel products. According to a HKTDC survey³ carried out in November 2019, 88% of GBA respondents said their demand for clothing, make-up and accessories has increased as the importance attached to social etiquette has risen. Consumers of age 31-35 and monthly household income of RMB 8,000 to 39,999 especially spend more on upmarket clothing and footwear.

To capture the growing consumer market in GBA, Hong Kong brands should map out effective strategy to differentiate themselves from others. E-commerce platforms provide the opportunity for Hong Kong enterprises to reach out consumers direct. In this regard, small brands offering niche products should also leverage various online sales channels to reach specific target groups. Having said that, physical stores still plays a part in GBA consumers' living for they visit shopping malls or physical store once a week in average, according to the HKTDC survey. Customers can touch, feel and experience products and brand philosophy through browsing in local stores with unique décor or special themes.

² HKTDC Research. (n.d.). Statistics of the Guangdong-Hong Kong-Macao Greater Bay Area. Retrieved January 17, 2022, from <https://research.hktdc.com/en/article/MzYzMDE5NzQ5>

³ Poon, C. H. (2020, March 25). The Mainland Cities of the Greater Bay Area (2): Consumer Product Preferences. HKTDC Research. Retrieved January 17, 2022, from <https://research.hktdc.com/en/article/Mzk0ODgyNDMy>

Brand owners should adopt comprehensive brand strategy to create consistent brand experience in the deeply integrated online and offline consumer market of the GBA.

Technology

Smart textile

The technology of smart fabrics has evolved from the early generation of smart textiles with features such as UV protection, cooling effect or anti-microbial to new generation fabrics that supports sensors to detect environment and respond. While the early generation of smart fabrics possess functions like preventing sun burn or overheating are widely commercialised, new innovative fabrics are also utilised to enhance athlete performance by analysing biosignal data collected from sensors on sports apparel. It is foreseeable that the application of smart fabrics will be more common as wearable device has fused with our everyday life and drive the market to grow further.

Virtual fitting

Fashion brands begin to utilise immersive technologies to allow shoppers to try out new outfit using AR or VR technology and 3D imagery in a virtual dressing room where they can enjoy the fitting experience in the desired immersive scenery and soundscape. Positive emotion connections help create positive brand experience. That means marketing staff of fashion brands are

required to have better knowledge of immersive technology and its application to create positive retail experience for customers.

Blockchain technology

By leveraging blockchain technology, luxury fashion items can be registered on the blockchain to identify counterfeit products by recording details at every node of the supply chain, from producer to distributors and finally who purchased the product in a transparent and immutable way. Protecting brand authenticity is one of the advantages of blockchain solutions. On the manufacturing side, immutable data of material source recorded on the blockchain also enable traceability in the supply chain. Although the adoption of blockchain technology in the fashion industry is not widespread, high-end fashion brands began engaging consumers by launching non-fungible tokens (NFTs) collections and digital wearable items in virtual fashion exhibition and games.

Artificial intelligence (AI)

AI tool has been commonly adopted in retail customer journey to offer personalised purchase suggestions, promotion campaign and pricing. It will continue to impact the industry by providing trend and demand forecasting to complete the feedback loop on supply side in inventory management and production plan.

Circular economy business model

In longer term, the sharing and resale market of fashion will become a

significant market as enabled by digital platform or mobile apps. In mature market where sophisticated consumers concern about climate change, consumers would prefer to own less items in wardrobe and reuse shared items. Products made of sustainable material or postconsumer waste fostering the circular model will be welcomed.

Policy

Trade dispute on the rise of protectionism

Hong Kong is a separate customs territory and is using the name of "Hong Kong, China" to participate in international trade organisations and sign relevant trade agreements. These preferential trade arrangements bring about better market access for Hong Kong enterprises and preferential tariff treatment for Hong Kong exports.

Following the rise of trade protectionism, the Sino-US trade turbulence and Xinjiang cotton dispute in recent years, Hong Kong manufacturers and enterprises are more cautious to review their supply chain or move production to other regions.

Fashion tech in Hong Kong

Rejuvenating Hong Kong industry, as suggested by the Government, through re-engineering production process using technologies such as 5G, cloud computing, artificial intelligence or other latest technologies to improve productivity is the core of "Industry 4.0".

Hong Kong fashion industry should realise the concept through research and development projects with institutes and overseas organisations.

Sustainable fashion has been one of the technologies developed in Hong Kong and commercialised in factories located in other countries. The Government also supports through the Innovation and Technology Fund to assist Hong Kong companies to upgrade their technological level and introduce innovative ideas to business. About \$1,153.1 million of the Fund was approved for the Textiles/Clothing/Footwear sector as at January 2022, which funded research and development projects. For example, remote body measuring technology, bespoke tailoring service platform using blockchain technology, AI powered platform supporting fashion product development, separation of mixed fiber in recycled textile material for new production, etc.

Covid-19 has impacted how the industry manage supply chain, design and produce, but fashion is still the very core element in one's expression of persona and it evolves as the society develops. How the industry responds to the demand and concern of consumers using technology and ensure the right flow of product via a smooth supply chain and minimising waste is the key to future success.

Manpower Demand

Desk Research

Out of the relevant recruitment advertisements captured in desk research, the top five principal jobs with the highest number of recruitment advertisements were identified:

- | | |
|------------------------------------|-------|
| 1. Merchandiser | 30.9% |
| 2. Sales assistant | 14.7% |
| (8.6% from retail sales) | |
| 3. Marketing officer/sales officer | 9.8% |
| 4. Marketing manager/sales manager | 7.8% |
| 5. Fashion designer | 7.0% |

Comparison with previous manpower survey

Compared with those of full manpower survey on 2019, the principal jobs with highest number of vacancies were as follows:

- | | |
|------------------------------------|-------|
| 1. Merchandiser | 21.1% |
| 2. Merchandising manager | 20.6% |
| 3. Quality inspector | 19.8% |
| 4. Marketing officer/sales officer | 12.6% |
| 5. Sales assistant | 6.6% |

Over the past few years, merchandiser has been ranked as the most in-demand position. Hong Kong as the main hub for global apparel sourcing, supported by experienced merchandisers to connect clients with manufacturers.

Merchandisers have to be familiar with style trends, able to communicate with designer and factory on product requirement and resolve technical issues, development, monitor product quality control and ensure products comply with rules and regulations of various countries. As mentioned in the last Update Report, the sales-driven manufacturing model is more common under the fast-changing fashion trend which means merchandisers have to provide holistic professional solution under tightened schedule.

Focus Group

Apart from merchandisers, the focus group also considered that the industry requires seasoned marketers who are familiar with fashion e-tailing to capture the growing online spending, which also echoes with the desk research result. As shown in the following table summarised from desk research, the hot skills identified by the focus group are required by most marketing and e-commerce jobs. However, it is also noted that some skills such as social

media and e-commerce are also required by some merchandisers, fashion designers and product development managers. The focus group is of the view that, experienced e-commerce experts and digital marketers are also highly sought after by other industries. Practitioners have to be flexible to

acquire multiple skill sets in order to be competent for one job which becomes common as industry organisations evolves. The phenomenon reflected the needs of providing relevant skills training in pre-employment and in-service programmes.

Table 1 Hot skills and relevant jobs

Hot Skills	Marketing Officer/ Sales Officer	Marketing Manager	E-commerce Officer	E-commerce Manager	Merchandiser	Merchandising Manager	Fashion Designer	Product Development Manager
Digital marketing	*	*					*	
Social media	****	****	***	*			**	*
E-commerce	**	**	***	***	*			*
Data analytics		*				*		
2D/3D design					*		**	*

* Relevance of the skills to the job (Based on no. of mentions of skills in job advertisements of desk research)

Training Needs

Technical knowledge and skills

As the product life cycle becomes shorter and consumer market gets more competitive, the industry adopts more technology to shorten lead time and produce more personalised items. Practitioners should be familiar with software of 3D design software, virtual fitting, pattern making, etc.

E-commerce knowledge

The pandemic catalysed the explosive growth of online fashion market. Brand owners have to utilise digital marketing to convey brand message and reach consumers. Marketers of fashion brands also have to analyse big data collected at e-commerce platform to generate insights for decision making on the supply side.

Brands having physical stores also need a holistic Online to Offline (O2O) strategy to effectively manage the customer journey. E-commerce is not the core knowledge of fashion and textile training but it is becoming one of the crucial elements to success in fashion retail business. Cross-discipline training offered by business department of institute would help fashion students to prepare themselves to perform in the online market.

Immersive technology

Fashion brands began to set up virtual fitting room in store or online which allows customers to see what a product looks like on them without physically putting it on. As the application of

immersive technology like AR and VR becomes more accessible, fashion marketers or brand owners should have better knowledge of how to leverage the technology to facilitate a seamless O2O shopping experience.

Communication skills

Hong Kong as a leading international sourcing hub for clothing and textile products, excellent communication skills and good English are still regarded as the top required skills by merchandisers and fashion buyers to exchange information with various parties in the supply chain.

Recruitment Challenges

Due to the keen competition of the market, some employers have experienced challenges in the recruitment process. The difficulties encountered and possible factors are summarised below:

Shifted priority in post-pandemic era

The pandemic made people rethink the meaning of work and discover new work forms. Well-being, work life balance, flexible work hours to cater the need to take care family are important factors employees consider in choice of work. The industry may need to find ways to align employees' expectation with organisation goals.

Misunderstanding of the industry

The fashion and textile industry has a long history in Hong Kong. This traditional manufacturing industry is now adding new value to its middleman role utilising new developed e-commerce platform and its international network, on the other hand leveraging its strong talent pool and capability to focus on research and product development on innovative and sustainable fashion. The highly recognised research performance of local institutes and its application on fashion should be made known to the public and young people.

Keen market competition

As digitalisation took place along the fashion supply chain and the retail side, cybertalent is on high demand by enterprises of fashion (and other industries)– brands, manufacturers and suppliers need them to enhance and protect their systems and privacy of customers, leverage AI on demand supply analysis and stay agile on inventory management or even apply blockchain technology to develop digital product passports and allow

traceability on the garment's carbon and water footprint. While programmers and software engineers have been the most in-demand positions over the years as mentioned in the 2021 innovation and technology sector Manpower Update Report⁴, fashion and textile industry must find effective means competing on salaries, fringe benefits, job security and employee well-being in order to attract and retain cybertalents.

RECOMMENDATIONS

To meet the future development of the industry, it is considered essential for the government, education institutions and employers to provide suitable training opportunities to the employees and students in the following areas:

Industry exposure

Young people and their parents might not be aware of the latest development of Hong Kong's manufacturing industry. Like many traditional production sectors under the wave of globalisation in the past decades, the manufacturing part of Hong Kong's fashion and textile industry had moved to China and Southeast Asia. Local garment companies are mostly engaged in import and export services. Given the fragmented nature of the fashion supply chain, employees of fashion import/export companies offer services and advices based on their experience in different aspects such as material procurement, clothing design,

quality control, logistics, sales and marketing and rules and regulations.

Apart from the trading aspect, Hong Kong's role of collaborative hub of industry expertise and innovation and its strength on design, research and development should also be made known to young people too.

Collaboration can be formed between school and local brands to arouse young people's interest on the industry's latest development.

⁴ VTC. (2021). 2021 Manpower Update Report Innovation and Technology Sector. <https://manpower-survey.vtc.edu.hk/f/publication/12360/Manpower%20Update%20Report%20%28IT%29%202021v10.pdf>

Knowledge on National 14th Five-Year Plan and GBA Practice

Fashion plays an essential role in arts and culture. Young designers or students who aspire to develop their fashion career in China or global market should get to know more about how the National 14th Five-Year Plan put forward the direction of creating a strong domestic market and envisioning Hong Kong as a hub for arts and cultural exchanges between China and the rest of the World. Young designers and students should also be aware of the GBA for the great potential of its consumption and manufacturing market and to understand diversified culture of different cities. Learning or collaboration project between Hong Kong and GBA institutes or garment manufacturers can be conducted – VTC's HD in Fashion Design (Greater Bay Area Practice Stream) would serve the purpose.

Tech-savviness

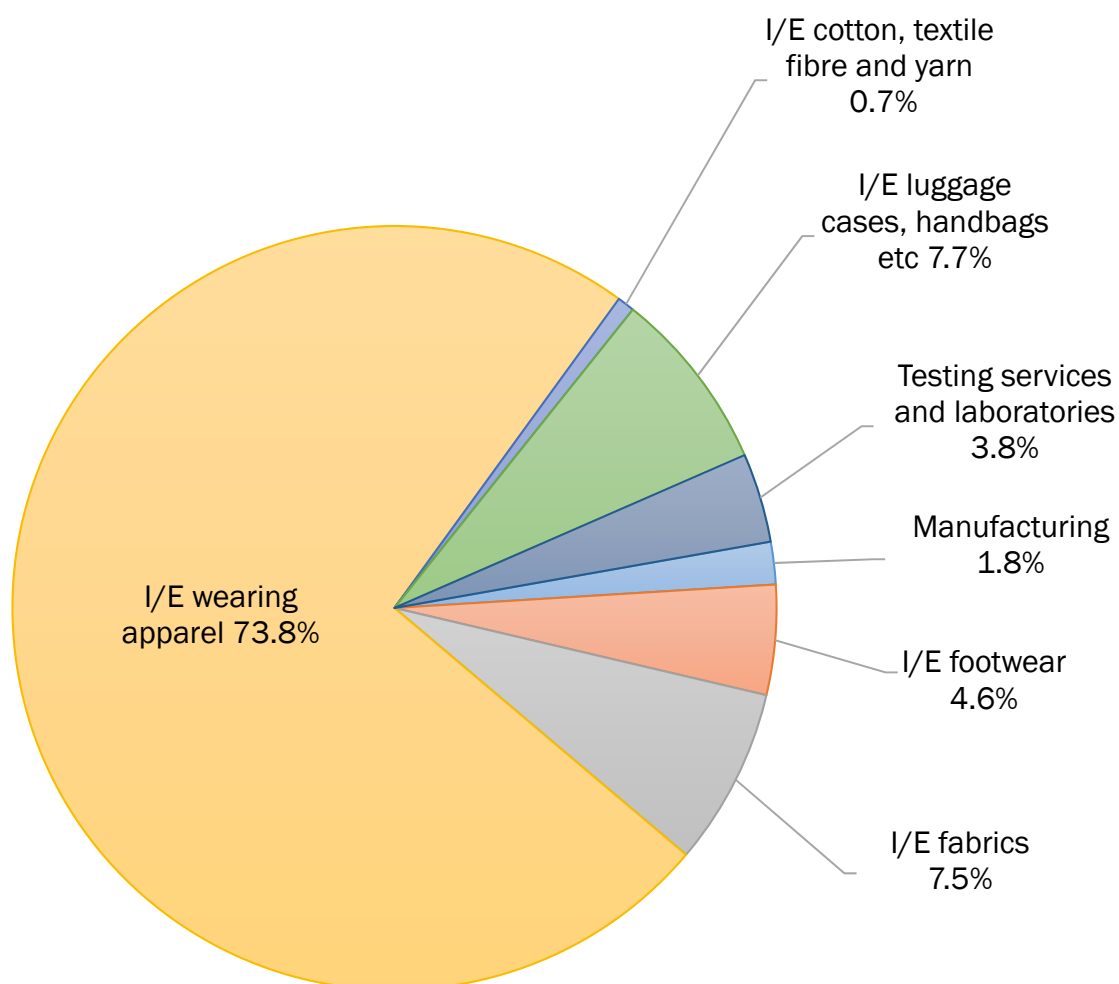
As the fashion business and fashion manufacturing further adopt technology, most employees involved in the product life cycle would require training on the new technology. For example, digital marketing and store front sales staff have to get familiar with the benefit of immersive technology and how to incorporate it in customers' O2O purchase journey and enhance buying experience. Production side employees would have to know about the

application of AI on demand supply forecasting to adjust production plan and understand how traceability fulfill customers' expectation on sustainability. Considered the growing application of blockchain technology in other industries, fashion and textile students and practitioners should be aware of how the industry move into the virtual environment and its development. Online short courses and webinar on latest technology application (digital/social/KOL marketing, online fashion retailing, e-commerce platform/blockchain/NFTs/metaverse, etc) can be arranged by employers to familiarise practitioners with updated information.

Business mindset

Fashion design graduates are passionate in realising their ideas and developing their own brands. E-commerce and the booming online fashion market have provided young people the opportunity to begin small business. The young entrepreneurs need to structure a business model and handle decision on sourcing suppliers and manufacturers, brand positioning, pricing, marketing, distribution and channeling, etc. Of which a business mindset is needed to make appropriate decisions to bring the creative ideas into reality. A crossover with business programme on core concept should be made available to the young fashion designers-to-be. Resource from the Government, industry association and NGOs such as financial support scheme or mentorship opportunity supporting fashion should be made known to the young entrepreneurs.

Percentage Distribution of Advertisements from Popular Recruitment Media
(2020 Q3 – 2021 Q2) by Branch



Percentage Distribution of Advertisements from Popular Recruitment Media
(2020 Q3 – 2021 Q2) by Job Level

