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BOOK REVIEW

The contest for value in global value chains: Correcting for distorted distribution in the global apparel industry

Lilac Nachum and Yoshiteru Uramoto

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In their book *The Contest for Value in Global Value Chains*, Lilac Nachum and Yoshiteru Uramoto ask one of the most important – and unanswered – questions in international business and supply chain research: Who appropriates the value created in global value chains (GVCs) and why? The authors examine this question by focusing on the global apparel supply chain and on Bangladesh as the producing country. The book stands out by providing a holistic analysis of GVCs, from labor to manufacturers, buyers, and consumers. It paves the way for a more systemic understanding of value creation and appropriation in GVCs with critical implications for research, practice, and policy-making.

According to Nachum and Uramoto, research has increasingly shown that there is a misalignment between value creation and value appropriation (also referred to as "value capture") in GVCs. The authors define value creation as the net value added to a supply chain by each participant (measured as sales – purchases), whereas value appropriation is defined as the share of gains of total value created by a supply chain (measured as total income – total costs). Value creation is thus mainly linked to productive capabilities in collaborative processes "driven by a common goal shared by the participants" (p. 15). It requires high levels of reciprocal interdependencies, and it can be described as a win–win scenario for participants. By comparison, value appropriation is linked to the product's perceived value for consumers and their willingness to pay. The participants in the GVC have conflicting interests, and variations in power among the actors result in value distribution becoming a zero-sum game.

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Based on this distinction, the authors claim that there is a "contest for value appropriation" between different participants in the GVC: consumers versus retailers/brands, retailers versus manufacturers, and manufacturers versus labor. The central finding of the book is that – counter to common belief – global brands and manufacturers maintain a relationship in which value creation and appropriation are very much aligned in terms of the value they add and the profits they make. By comparison, labor is the main "loser" in this contest, since garment workers, in the case of Bangladesh in particular, do not benefit financially from the increased productivity of their labor. Consumers, on the other hand, are the main "winners" in this constellation, as they manage to pay less and less for clothing relative to their budgets. They effectively put pressure on other participants of the GVC to drive down costs, even if they may not be aware of this direct consequence. Nachum and Uramoto elucidate these dynamics, investigate the causes for "distortions in value distribution", and address how to tackle them.

The book first outlines the problem it addresses (Chapter 1), and conceptually defines "value creation" versus "value appropriation" (Chapter 2). It then discusses some important characteristics of the global apparel industry (Chapter 3), including the labor intensity of production, the fragmentation of global brands, and the relatively high level of bargaining power of consumers. This is followed by a detailed discussion of alignments and distortions of value creation and value appropriation in the relationship between manufacturers and global brands (Chapter 4), manufacturers and labor (Chapter 5), and global brands and consumers (Chapter 6). After an integrative discussion (Chapter 7), the authors provide a theoretical discussion of how distortions could be better alleviated based on interdependencies between GVC participants (Chapter 8). The book concludes with a discussion of broader implications for GVC research (Chapter 9).

Two main contributions emerge from the book. First, it argues that labor is the "ultimate victim of the downward price pressure that runs throughout the chain" (p. 75). In the case of Bangladesh in particular, labor productivity increases over the past decades have been much higher than wage increases. This is partly due to the challenges of unionization, high competition for work, poor labor standards, the influence of private industry on politics, and absence of a minimum wage. Labor's bargaining power is further eroded by high labor intensity, the low-skilled nature of production, and the lack of job alternatives for low-skilled workers in producing countries like Bangladesh.

Second, whereas prior studies suggest that global brands appropriate much of the value in the garment value chain, this book argues that, in fact, end consumers are the "major claimants over the value created by apparel GVCs" (p. 82). This is evidenced by a decreasing percentage of consumer expenditure on clothing. Consumers have the power to keep prices low thanks to a highly fragmented market and low switching costs. The authors further argue that "consumers have demonstrated little inclination to employ their power towards social causes" (p. 88), which could have ethical implications.

Together, these findings have important repercussions for the long-standing debate on the creation and distribution of value in GVCs (Kano, Tsang, & Yeung, 2020; Mudambi, 2008). Nachum and Uramoto make a strong case for the importance of differentiating between value creation and value appropriation to uncover disparities and distortions. Whereas power disparities have been discussed extensively in the GVC literature (e.g., Bair, 2005; Gereffi, Humphrey, & Sturgeon, 2005), the authors extend prior research by taking a more holistic view, going beyond dyadic buyer–supplier relationships (e.g., Schleper, Blome, & Wuttke, 2017). Specifically, the book examines to what extent consumers and labor appropriate value in GVCs, based on a persuasive comparison of economic trends such as price of clothing versus consumer expenditure over time in consumer countries, and productivity versus wage increases over time in producing countries. This also has policy implications for both producing and consuming countries.

The book further demonstrates the importance of studying economic value distribution in global supply chains. Recent research has been dedicated to social sustainability in supply chain management, but tangible improvements have been rather limited (Gold & Schleper, 2017). Whilst new perspectives around human rights violations, such as modern slavery (e.g., Gold, Trautrims, & Trodd, 2015) or conflict minerals (Hofmann, Schleper, & Blome, 2018), have gained momentum in the supply chain management field, these discussions would benefit from a more fine-grained view on the actual profiteers of value distribution and the ramifications for labor, i.e., people on the ground (LeBaron & Lister, 2022).

The book, however, also has some shortcomings, which could be addressed in future research on this topic. First, the very distinction between "value creation" and "value appropriation", which is central to the argument of the book, is problematic in the way the authors conceptualize these terms. Nachum and Uramoto argue that "value created is only realized as value captured, and the latter is the ultimate indicator of the former" (p. 15), which already makes it difficult to separate these constructs analytically.

Second, we find their operationalization problematic. Value creation versus value appropriation is operationalized very differently for consumers, buyers/manufacturers, and labor. To what extent do consumers really "capture" or "create" value? In turn, to what extent are labor productivity gains a result of "labor power" versus economies of scale and/or the organization of production? For example, increasing modularity and fine-slicing of production in many industries have enabled firms to use low-skilled labor to perform routine tasks (Mudambi, 2008). It is not sufficiently clear where exactly productivity gains come from, which would be important to know to measure the level of "distortion" between value "creation" and "appropriation" in the case of labor.

Third, Nachum and Uramoto propose an "interdependence logic as a mechanism towards balanced distribution of value among GVC participants" (p. 131). However, how exactly an interdependence perspective might be a "force for change", as they claim, remains too vague and the idea seems to be overly optimistic. In fact, the authors themselves argue that interdependencies do not apply to consumers – the main claimants of value – since they do not depend in any way on particular retailers, producers, or garment workers when making purchasing decisions. This very independence is one reason why their switching costs are low, and their resulting bargaining power is high. Moreover, prior research casts a rather pessimistic light on the potential for consumers to improve labor conditions through their buying behavior (e.g., Crane, LeBaron, Phung, Behbahani, & Allain, 2021).

Fourth, Nachum and Uramoto argue that international organizations, such as the International Labour Organization (ILO), may promote changes in producing and consuming countries towards greater fairness in garment GVCs. But can international organizations really "employ soft power mechanisms to push consumers towards ethical consumption" (p. 113)? The fact that ILO conventions, including the abolition of child labor and the right to organize for industrial action, have been in force by most countries for decades (including Bangladesh; see e.g., ILO, 2022), strongly suggests that these organizations do *not* have the power to substantially change existing conditions. It is true that multi-stakeholder initiatives, including governments, unions, and firms, have at least led to greater protection of health and safety conditions of garment workers in Bangladesh in the aftermath of the Rana Plaza Disaster (Donaghey & Reinecke, 2017). However, it remains unclear how policies and collective action can affect the two central issues covered in the book: the willingness of consumers to pay more for responsibly produced clothing, and the willingness of manufacturers to pay workers higher wages.

Finally, although the data collection and analysis of the book are laudable, data on value appropriation are rather limited. For example, Nachum and Uramoto compare profitability at the firm level to conclude that global buyers do not appropriate value in their relationships with suppliers from Bangladesh. These measures are problematic, as it might be that those relationships are far more valuable to buyers than an average supplier relationship, strongly biasing balance sheet results. However, the approach of the authors provides solid ground for further investigations and the search for valid proxies across different industries (Lieberman, Garcia-Castro, & Balasubramanian, 2017).

The findings and limitations of this book inspire important directions for future research. One central extension would be various forms of comparative analysis to further refine the findings of the book. For example, there is a need for comparative analysis of consumers in different countries to understand better how culture, institutional conditions, and consumer education affect purchasing behavior. Research on the rise of sustainable practices in coffee production suggests that consuming countries differ in the extent to which consumers care about social and environmental sustainability, which in turn has affected the extent to which producing countries that export to these countries have adopted sustainability standards (Manning, Boons, Von Hagen, & Reinecke, 2012).

In a similar fashion, we need better understanding of how producer countries differ in the extent to which labor can appropriate value in GVCs. The book gives the anecdotal example of Cambodia, which, unlike Bangladesh, has allowed for more effective unionization and collective bargaining, potentially impacting how much value labor can capture. In addition, Western firms' "social management capabilities" to "advance social practices of suppliers in emerging markets" have been investigated as driving local change through the interaction with various stakeholders, such as governments (Huq, Chowdhury, & Klassen, 2016, p. 20). Recent research advocates the role of global buyers in promoting "worker-driven supply chain governance", i.e., fostering the "democratic participation of workers and their representatives in supply chain governance systems at both the transnational and workplace levels", specifically in countries without effective labor regulations (Reinecke & Donaghey, 2021, p. 14).

More comparative studies are also needed to understand how potential distortions between value creation and appropriation affect different fashion products, e.g., "ethical fashion" versus "fast fashion". To what extent do participants in these GVCs appropriate value differently? How price-sensitive and/or loyal to certain ethical principles are consumers in each segment, and how does that affect value distribution across the GVC? Also, comparisons with other commodities, such as coffee, may be useful in this regard. In coffee, a premium sector of "ethical coffee" has been established that aligns ethical principles, such as high social and environmental standards, with high perceived quality and the willingness of consumers to pay a higher price (Manning, 2013). To what extent can a premium sector be established in clothing with a similar degree of alignment, potentially leading to a re-balancing of value creation and value appropriation in the GVC?

Lastly, it remains to be seen how current geopolitical developments and technologies might indicate a change of one basic assumption of this book: the division of labor and capital between the Global North and South. Major events, such as the Covid-19 pandemic, the Russian war in the Ukraine, the resurgence of trade wars and tariffs, as well as national departures from multilateralism (e.g., Brexit), have had and will further have repercussions on the design of future global supply chains (Handfield, Graham, & Burns, 2020). Furthermore, recent technological advancements and the use of robotics and automation may lead to substitutions of capital for labor, as the authors note. All these factors might lead to a change in global production settings, potentially resulting in shorter, more localized GVCs that are closer to end users. How will these changing parameters affect value distribution in GVCs?

In sum, the book convincingly demonstrates how a holistic analysis of participants and relationships in GVCs, from labor to consumers, is needed to truly understand dynamics of value creation and appropriation. Future research needs to build on that by developing comparative studies across different products, producer and consumer countries in order to examine which economic, social, and institutional factors can explain differences in the degree of fairness of value distribution in global supply chains.

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